

**In the Matter of
*The Securities Act, 1988***

and

**In the Matter of
Jack Louis Comeau
Pinnacle Wealth Brokers Inc.
and
Grasswood Property Finance Ltd.**

ORDER

(Pursuant to Section 135.1 of *The Securities Act, 1988* (Act))

WHEREAS pursuant to section 17 of *The Financial and Consumer Affairs Authority of Saskatchewan Act* (the FCAA Act), the Chairperson of the Financial and Consumer Affairs Authority of Saskatchewan (the Authority) has appointed a panel (Hearing Panel) to hear this matter;

AND WHEREAS by virtue of section 17(7) of the FCAA Act, a decision or action of the Hearing Panel in relation to this matter is a decision of the Authority;

AND WHEREAS Pinnacle Wealth Brokers Inc. (Pinnacle) and the Director of the Securities Division (the Director) of the Authority have entered into a settlement agreement dated February 28, 2020 (the Settlement Agreement), the original of which is attached hereto as Appendix "A";

AND WHEREAS an application has been received by the Hearing Panel from Staff of the Authority for an order that Pinnacle shall pay an administrative penalty of \$15,000.00.

AND WHEREAS pursuant to section 135.3 of the Act, proceedings may be disposed by an agreement approved by the Authority, without the necessity of a hearing;

AND WHEREAS the Hearing Panel has approved the Settlement Agreement;

AND WHEREAS Pinnacle has waived its right to a hearing in this matter as well as its right to any appeal with respect to this matter, and has consented to the issuance of this Order;

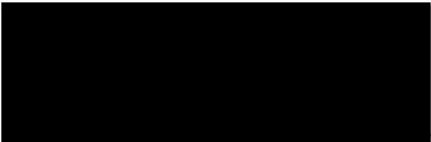
AND WHEREAS the Hearing Panel is of the opinion that it is in the public interest to make this Order;

AND WHEREAS Pinnacle has already paid the administrative penalty of \$15,000.00;

AND WHEREAS Nothing shall prohibit any claimant from applying for financial compensation pursuant to section 135.6 of the Act, nor shall anything prohibit the Director, Securities Division, Financial and Consumer Affairs Authority from requesting that the Authority make an order that a claimant be paid compensation for financial loss;

NOW THEREFORE IT IS HEREBY ORDERED THAT Pinnacle shall pay an administrative penalty to the Authority in the amount of \$15,000.00, the receipt of which has already been acknowledged by the Authority in satisfaction of this Order.

DATED at the City of Regina, in the Province of Saskatchewan, this 3rd day of March, 2020.



Howard Crofts 
Chairperson of the Hearing Panel
Financial and Consumer Affairs
Authority of Saskatchewan

**In the Matter of
*The Securities Act, 1988***

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Jack Louis Comeau
Pinnacle Wealth Brokers Inc.
and
Grasswood Property Finance Ltd.**

SETTLEMENT AGREEMENT

WHEREAS the Director of the Securities Division (the Director) of the Financial and Consumer Affairs Authority of Saskatchewan (the Authority) issued a Statement of Allegations of Staff of the Authority, dated June 27, 2018 (the Statement of Allegations) and subsequently amended on August 30, 2019 (the Amended Statement of Allegations), with the Authority in which it was alleged that Pinnacle Wealth Brokers Inc. (Pinnacle), among others, engaged in specific activities that were contrary to the public interest and in contravention of *The Securities Act, 1988* (the Act);

AND WHEREAS Pinnacle and the Director desire to dispose of the allegations against Pinnacle, as contained in the Amended Statement of Allegations, by way of agreement, as permitted by section 135.3 of the Act;

AND WHEREAS Pinnacle and the Director acknowledge that this Settlement Agreement is subject to the approval of the Authority and, if approved by the Authority, will be published on the Authority's website;

NOW THEREFORE in consideration of the mutual promises and covenants set forth herein, Pinnacle and the Director hereby agree as follows:

1. The following admissions are made by Pinnacle:
 - a. Pinnacle is and has been registered as an exempt market dealer in Saskatchewan since 2010.
 - b. One of Pinnacle's dealer representatives (DR) was Jack Louis Comeau (Comeau). Comeau joined Pinnacle in 2012.
 - c. From the time Comeau joined Pinnacle in 2012 until his retirement in April 2019 Comeau's engagement by Pinnacle as a dealing representative was subject to close supervision by Pinnacle. During this time, Pinnacle, among other things, reviewed each of Comeau's trades of which it was reasonably aware prior to approval and conducted spot audits of Comeau's practice.
 - d. Pinnacle was not aware of, and did not authorize any off-book trading engaged in by

Comeau in relation to any of the clients mentioned in the Amended Statement of Allegations.

- e. Pinnacle conducted close supervision of Comeau in accordance with its policies and completed monthly close supervision reports (Close Supervision Reports). The Close Supervision Reports were available for inspection by the Authority upon request. On occasion, Pinnacle was asked to, and did provide the Close Supervision Reports to the Authority.
- f. In each of the Close Supervision Reports completed by Pinnacle from September, 2014 to January, 2015, Pinnacle stated that, "All client accounts have been reviewed for [...] any amendments to know your client information".
- g. Pinnacle received the know your client information form for Pinnacle Client 20 on or about November 6, 2014. It contained a change which was not initialed by Pinnacle Client 20. Pinnacle reviewed Pinnacle Client 20's know your client information, but failed to discover the un-initialed change. Pinnacle thereby failed to apply policies and procedures that establish a system of controls and supervision sufficient to provide reasonable assurance that the firm and each individual acting on its behalf complies with securities legislation, in contravention of section 11.1 of National Instrument 31-103 *Registration Requirements, Exemptions, and Ongoing Registrant Obligations*.
- h. In the Close Supervision Reports, Pinnacle was required to disclose whether a client of Pinnacle had made a complaint about Comeau in the preceding month.
- i. On or about December 14, 2017 Pinnacle received a complaint about Comeau from one of its clients (December Complaint). In January 2018, Pinnacle completed a Close Supervision Report (December 2017 Close Supervision Report).
- j. In the December 2017 Close Supervision Report, Pinnacle stated that it had not received any complaints from clients about Comeau in the preceding month. That statement was, in a material respect and at the time and in the light of the circumstances under which it was made, false and in contravention of paragraph 55.13(1)(a) of the Act.
- k. The December Complaint was addressed to Pinnacle but copied to the Authority. Accordingly, the Authority was not misled by Pinnacle's December 2017 Close Supervision Report.
- l. Pinnacle received another complaint about Comeau from a client in June 2018 (June 2018 Complaint). Pinnacle began an investigation into the June 2018 Complaint. However, the client informed Pinnacle that he wished to withdraw the June 2018 Complaint. Subsequently, the client advanced a complaint about Pinnacle's diligence process (July 2018 Complaint).
- m. Pinnacle did not complete its investigation of the July 2018 Complaint. Although Pinnacle has a policy governing investigations into complaints, it did not deliver a

Findings Letter in response to the July 2018 Complaint in accordance with that policy. Pinnacle thereby failed to apply policies and procedures that establish a system of controls and supervision sufficient to provide reasonable assurance that the firm and each individual acting on its behalf complies with securities legislation, in contravention of section 11.1 of National Instrument 31-103 *Registration Requirements, Exemptions, and Ongoing Registrant Obligations*.

- n. By the time that Pinnacle received the July 2018 Complaint, the Authority had delivered its Statement of Allegations. Pinnacle believed that the complaint would be resolved through this proceeding before the Authority. It is for this reason that Pinnacle did not complete its investigation and deliver a Findings Letter.
 - o. Pinnacle has cooperated with the Authority during the course of the Authority's investigation. Pinnacle has provided the Authority with copies of its policies and procedures and other documents establishing: (i) its system of controls, and (ii) the specific steps it took to supervise Comeau.
 - p. Pinnacle has established policies, procedures and controls to minimize the risk that the circumstances described above will occur again in the future.
- 2. Pinnacle agrees that all of the facts set out in paragraph 1 above are true and that, to the best of its knowledge, information, and belief, there are no material facts related to these matters that are not set out in paragraph 1 above.
 - 3. Pinnacle hereby waives its right to a hearing in these matters as well as its right to any appeal with respect to these matters, except for any hearing (or subsequent appeal) seeking an order for financial compensation pursuant to section 135.6 of the Act.
 - 4. Pinnacle and the Director hereby consent to the issuance of an order by the Authority in substantially the form attached hereto as Appendix "A", ordering that Pinnacle shall pay an administrative penalty of \$15,000.00.
 - 5. Based upon the facts contained herein, the Director hereby agrees that the sanctions set out in paragraph 4, above, are the only sanctions that the Director will seek to have the Authority impose upon Pinnacle with respect to the matters set out in paragraph 1 herein and the Amended Statement of Allegations, provided that nothing shall prohibit the Director from considering or dealing with any matter not set out herein or in the Amended Statement of Allegations, or any new information or complaint brought to the Director's attention against Pinnacle.
 - 6. Nothing in this Settlement Agreement shall prohibit any claimant from applying for financial compensation pursuant to section 135.6 of the Act, nor shall it prohibit the Director from requesting that the Authority make an order that a claimant be paid compensation for financial loss.
 - 7. The terms of the Settlement Agreement shall be treated as confidential by Pinnacle and the Director until approved by the Authority, and may not be disclosed to any person except with the consent of Pinnacle and the Director, or as required by law, until such time as it is signed

by all parties and approved by the Authority.

8. If this Settlement Agreement is not approved by the Authority, this Settlement Agreement and all discussions and negotiations between the Director and Pinnacle will be without prejudice and the Director and Pinnacle will each be entitled to all available proceedings, remedies, and challenges, including proceeding to a hearing of the allegations in the Amended Statement of Allegations.
9. Pinnacle hereby affirms that it has read and understood the terms of this Settlement Agreement, and is signing it voluntarily.
10. Pinnacle is aware that this Settlement Agreement may form the basis for parallel orders in other jurisdictions in Canada, and that the securities laws of some other Canadian jurisdictions may allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to Pinnacle.
11. This Settlement Agreement may be signed in one or more counterparts, which together shall constitute a binding agreement.
12. An electronic copy of any signature shall be effective as an original signature.
13. This Settlement Agreement shall be governed by and construed in accordance with the laws of the province of Saskatchewan.

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14. Pinnacle hereby acknowledges that it has been given a reasonable opportunity to obtain independent legal advice with respect to this Settlement Agreement, and that either:

- a. It has obtained such independent legal advice and is satisfied with the same, prior to executing this Settlement Agreement, or
- b. It has willingly chosen not to obtain such advice prior to executing this Settlement Agreement.

IN WITNESS WHEREOF

Pinnacle Wealth Brokers Inc. has executed this Settlement Agreement at Calgary, Alberta, this 27 day of February, 2020.

SIGNED, SEALED AND DELIVERED)
in the presence of:)

[Redacted Signature])

Name: [Redacted Name]

Per: [Redacted Signature]

Title: CEO

In signing this Settlement Agreement, I certify that I have the authority to bind Pinnacle Wealth Brokers Inc.

The Director has executed this Settlement Agreement at the City of Regina, in the Province of Saskatchewan, this 28 day of February, 2020.

SIGNED, SEALED AND DELIVERED)
in the presence of:)

[Redacted Signature])

Name: [Redacted Name]

[Redacted Signature]
Dean Murrison,
Director, Securities Division