



# NEWSLETTER

## PROBUS CLUB VANCOUVER

#252-2025 West 42nd Avenue, Vancouver, B.C. V6M 2B5 Phone and Fax (604)261-6818

Clubs for retired and semi-retired professional and business persons, former executives and others

...to find more about Probud go to [www.probus.org](http://www.probus.org)

DECEMBER 2007

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**Next Meeting:** Tuesday December 11th, 2007

**Time:** 9:30 AM

**Location:** H.R. MacMillan Planetarium and Space  
Centre - Lower Level

**Speaker:** Don Krogseth

**Topic:** Nature Trust of B.C.

### UPCOMING EVENTS

**JANUARY 8** - Presidents' Luncheon,  
Point Grey Golf and Country Club

**FEBRUARY 14th** - Valentine's Day  
Luncheon

## DON KROGSETH



A West Vancouver resident, Don is an avid outdoorsman and accomplished fly fisherman. He is a member and past Director of the Pennask Lake Fish and Game Club.

Don's success in the investment and financial services sectors includes leadership positions with Dixon, Krogseth Investment Counsel and Connor, Clark & Lunn Investment Management Ltd. He is a past Director of Pembina Pipeline Corporation (Calgary, AB). His commitment to the community has included directorships with the Vancouver Oral Centre for Deaf Children and the Alzheimer Foundation of British Columbia.

Don Krogseth spent 10 years as a director and is currently a member of the

Advisory Board of The Nature Trust of British Columbia. Don has recently been appointed to the Board of the Freshwater Fisheries Society of BC which is a privatization from the Provincial Government to manage all the fresh water fisheries in BC.

Since 1971, The Nature Trust of BC has been working to conserve BC's natural beauty. As a leading non profit land conservation organization, the Nature Trust acquires and manages ecologically significant land such as riparian property in the Gravel Reach area of the Fraser River, Antelope-Brush in the South Okanagan and Hoodoos in the East Kootenay. The Nature Trust is ensuring our children continue to enjoy this amazing province of BC.

Mr. Krogseth will be providing a full color audio visual presentation capturing the beauty of BC and an indication of why habitat conservation is a gift forever.

## Minutes of the November 13th Meeting

Attendance: 175 including guests

President **Ted Daem** welcomed members at 10:00 am. A brief report highlighted the impressive shipyard tour on October 23rd; the hope is that it will be repeated.

**Norm Weitzel** introduced the award winning *Vancouver Sun* financial journalist David Baines, whose talk could well be titled "*Lambs to the Slaughter: How Investors are Carved up by Sharp Practice on Howe Street: The Sequel*". Reprising the book which appeared in 1987 covering the first eighty years of Vancouver Stock Exchange history, Mr. Baines asserted that in the twenty subsequent years, which roughly coincided with his own Vancouver career with *The Sun*, nothing has changed.

In a characteristically searching, detailed, and hard hitting review—specifically naming companies, promoters, brokers, exchanges, regulators, politicians, and law enforcement—David Baines outlined a conspiracy of practices ranging from shady to fraudulent and criminal designed to enrich financial practitioners at the expense of investors. In response to these scandalous conditions, Mr. Baines called for a Royal Commission of Inquiry to revamp the system. But given results so far, Mr. Baines is not sanguine about the prospects for change.

As early as 1908, within twenty years of its existence, the VSE was already making the British Press for its "fishy ventures". By 1989 a stream of scandals, many of which Mr. Baines helped expose, led *Forbes* to publish an amusing piece describing Vancouver as the scam capital of the world, creating a garbage problem polluting much of the civilized world. *Barron's* wrote of a reciprocal deal with Vancouver: they send us their worthless stock certificates and we send them our acid rain.

Investigative reporting by Mr. Baines has earned him eighteen lawsuits and one death threat—a reported contract in 1992 that has happily not been carried out. The lawsuits typically last as long as the promotion at issue. In one instance, the *Sun* and Mr. Baines sued for libel and were awarded \$825,000, even collecting some of it with enough left over after fees to provide a \$64,000 grant to UBC for an annual scholarship promoting good journalism. This award was the second largest in Canadian history.

Bad publicity led Glen Clark to appoint Jim Matkin to conduct a commission of inquiry into the VSE. Matkin concluded the exchange was a forum for shams, swindles, and manipulations. He explained that penny stock market players cannot rely on the long odds of finding a mine or discovering an AIDS cure. "So the local culture has evolved ways to shortening these odds so that members of the investment community are able to earn their living and make profits on companies which do not discover mines. It is through this exploitation of speculation that seasoned venture market investors, brokers, and promoters make their living." The exchange was not about speculation but about exploiting people's penchant for speculation.

Subsequent to the Matkin commission, the VSE cleaned up under the strong Michael Johnston, who delisted unsavory companies. While there were some real discoveries, like Robert Friedland's Voisey's Bay and Dia Met Diamonds, there were hundreds of worthless imitations. Bre-X proved to be one of its biggest frauds and paralyzed the VSE.

The VSE now merged with the Alberta Stock Exchange into the new Canadian Venture Exchange, purging the unsavory “Vancouver” appellation. But fraudulent promotion continued, as in the case of Yorkton securities, creating a company, financing it, and promoting it. Mr. Baines got a National Newspaper Award for exposing the deal. Mr. Baines also exposed the fraudulent rigging of the Venture Exchange index, which has been changed but not fixed.

After the dot.com bubble the nation’s stock exchanges were reorganized. Junior issues were concentrated in the Canadian Venture Exchange, which was renamed the TSX Venture Exchange and acquired by the TSX. In recent years, the TSX-V has ridden the wave of an unprecedented commodity boom. While there are some earnest ventures and some very big winners, there is a huge number of tagalongs which will never amount to anything. The real crisis is the proliferation of Vancouver companies trading over-the-counter in the US. These are essentially unregulated, pump and dump schemes, and there will be five hundred to eight hundred of them operating at any one time. They have attracted criminal interests. After considerable pressure from the *Vancouver Sun*, the BC Securities Commission in June announced a five-pronged attack on bulletin board companies. But as in all matter success depends on enforcement – terrible in BC. The BC Securities Commission has tremendous investigative powers, compelling people to testify under oath, but its sanctions are limited to suspensions which are often ignored and fines which are rarely paid. The real muscle in enforcement is criminal prosecution. That has never succeeded in Canada. Four years ago the federal government set up the RCMP Integrated Market Enforcement Team. Vancouver has secured only one charge and conviction.

The RCMP commercial crime section has secured only two significant securities related

convictions in BC during the past five years: Frank Biller and Brian Slobogian, chief architects of the \$175 million Eron Mortgage scandal. These multi-million dollar law-enforcement efforts have produced no value for tax-payers. The problem of prosecution encompasses police, prosecutors, judges and the constitution itself. It requires a Royal Commission of Inquiry to address.

In response to questions Mr. Baines returned to the need to establish one national securities regulator—the splintering of responsibility is the longest running scam. Investors can protect themselves by examining closely all securities filings of prospective investments. Companies investing offshore are strong signals of fraud. His work is always examined before publication by a legal team. The failure to find the culprit in the Bre-X case illustrates prosecutorial difficulties. **David Rolfe** thanked Mr. Baines for the articulate and interesting talk and the great service he provides.

Lindsay Mann, Secretary

# SEASON'S GREETINGS



## PRESIDENTIAL FORUM



The annual Presidents' Luncheon will be held at the Point Grey Golf and Country Club on Tuesday, January 8th, 2008. If you plan to attend, please read the notice herein and make sure you sign up for this special

luncheon.

Members who have never received a Probus lapel pin or have lost one, can order one by signing up at the Member Services Desk.

For your information, the Management Committee met recently for a year-end review. The Club is in good standing both financially and constitutionally with Probus Canada. Your Committee Chairmen give freely and tirelessly of their time to



Ted Daem

make your President look good in efficiently running the Club.

The Speakers Committee came up with another winner in David Baines who gave us a greater understanding of the workings of Howe Street.

## NOTICES

**Member Services Desk:** Tremayne Perry

**Cash Desk:** Terry Heenan, Ed Legg

**Greeters:** Gordon Youngson, Brent Scott,  
Gordon Park

## PRESIDENTS' LUNCHEON Tuesday January 8th, 2008 POINT GREY GOLF AND COUNTRY CLUB

The Presidents' Luncheon is always held in January as part of our regular meeting.

The cost will be \$25 for members and \$35 for guests. Please bring cash or cheques to the meeting. Coffee will be available as usual at 9:30 AM but the meeting will not get underway until 10:30AM.

*It is important that we determine the exact number of members who plan to attend, so please sign up at the Member Services Desk during the December meeting.*

If you are unable to attend the December meeting, please complete the enclosed **Registration Form** and mail it to the Probus Office.

This is our eleventh anniversary and we will be honoring the Presidents who have led us so successfully over this period.

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## VALENTINE'S DAY LUNCHEON THURSDAY FEBRUARY 14TH, 2008

Once again, the Activities Committee is making plans for a Valentine's Day Luncheon.

For the past 7 years this event has afforded members with an excellent opportunity to treat their wives to a special luncheon at an attractive venue. Please mark the date on your calendar. Complete details will be included in the January Newsletter



**PRESIDENTS' LUNCHEON**  
**TUESDAY JANUARY 8TH, 2008**  
**POINT GREY GOLF AND COUNTRY CLUB**

I plan to attend:

Name\_\_\_\_\_

Mail to Probus Office at 252 - 2025 West 42nd Avenue, Vancouver, B.C. V6M 2B5