

**IN THE MATTER OF THE *SECURITIES ACT*
S.N.B 2004, c. S-5.5 (the "Act")**

AND

**IN THE MATTER OF
PORTUS ALTERNATIVE ASSET MANAGEMENT INC ("PAAM")
AND BOAZ MANOR ("MANOR")**

**ORDER
(Section 184)**

WHEREAS it appears to the New Brunswick Securities Commission (the "Commission") that:

1. Paradigm Alternative Asset Management Inc. ("Paradigm"), an Ontario corporation with Ontario corporate registration number 2021018, registered on May 15, 2003 in New Brunswick as an extra-provincial corporation with registration number 606819;
2. Paradigm registered under the *Security Frauds Prevention Act* on April 28, 2003 under certificate No. 2003-10193 as a broker restricted to providing investment counseling and portfolio management services and pursuant to subsection 218(1) of the Act, continues to be registered under the Act;
3. On June 10, 2004 Paradigm changed its name to Portus Alternative Asset Management Inc.;
4. Manor registered under the *Security Frauds Prevention Act* on April, 2003, as a broker restricted to providing investment counseling and portfolio management services, (junior officer, advising) under National Registration Database No. 557141 and pursuant to subsection 218(1) of the Act, continues to be registered under the Act;
5. Staff of the Commission are conducting a review of the affairs and activities of PAAM and Manor in New Brunswick;
6. At present, PAAM has opened managed client accounts for approximately 26,000 clients across Canada. Approximately 500 of these clients are resident in New Brunswick. PAAM appears to be offering clients the same portfolio of Canadian equities and assets. Each portfolio appears to contain securities and assets that are held and/or traded to mimic the performance of BancNote Trust mutual funds, non-prospectus mutual funds which PAAM also manages;
7. It appears that Portus Asset Management Inc. ("PAM") created the BancNote Trust funds. PAM is not registered with any securities commission in Canada. PAAM acts as the investment counsel and portfolio manager of the BancNote Trust;

8. PAAM receives approximately \$20 million of new investment funds or assets from a combination of existing and new clients each week;
9. It appears that PAAM has approximately \$730 million under management at present. Staff of the Commission have received information from PAAM that New Brunswick assets under management total between \$19 and \$85 million;
10. The structure of the investment provided by PAAM appears to be such that clients' funds flow through bank accounts held by PAAM on behalf of PAAM's off-shore counterparties, and eventually flow to an account held by PAAM. It appears that PAAM deposits sufficient client funds into five to seven year term notes issued by Société Générale (Canada) (the "Notes") to guarantee a minimum return of the principal invested with PAAM. It appears that Société Générale then promises to return to the holder of the Note (BancNote Trust) the higher of the principal invested with PAAM or the return achieved by a fund of funds selected by PAAM. This appears to be the basis for PAAM's representation to clients that their investments are guaranteed;
11. At the same time, it appears that PAAM transacts with off-shore counterparties to achieve a position whereby the Canadian equities referred to in paragraph 6 above, appear to be held in client name by one of the off-shore counterparties. PAAM transacts in two derivatives that appear to provide the client with the return on the Notes in exchange for the return on the Canadian equities;
12. The Notes are presently held in an account at RBC Dominion Securities Inc. ("RBCDS") over which Manor has trading authority. At maturity, the Notes will have a value of at least the principal invested by the clients;
13. Withdrawals of clients' funds prior to maturity of the Notes could result in a loss to certain clients and preferential treatment for some clients to the detriment of others;
14. Manor is the owner and Managing Director of PAAM. Manor has trading authority with respect to the RBCDS account;
15. BancNote Trust buys the Notes on behalf of investors. Manor is the advisor to BancNote Trust;
16. PAAM appears to have contravened sections 54, 162, and 165 of the Act and to date, has failed to take adequate steps to remedy these breaches.

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

AND WHEREAS PAAM and Manor have been given an opportunity pursuant to subsection 184(4) of the Act and have declined to have a hearing in this matter, and have consented through counsel to the terms of this order and its granting by the Commission without a hearing;

IT IS HEREBY ORDERED pursuant to subsections 184(1)(a) and (c) of the Act, that:

1. Trading in any securities by PAAM cease, except with respect to the pre-authorized periodic withdrawals permitted pursuant to paragraph 2(iv) below; and;
2. The following terms and conditions are imposed on the registration of PAAM and Manor (the “Terms”):
 - i. Effective immediately, PAAM shall not open any new client accounts;
 - ii. Effective immediately, PAAM shall not accept any new funds or other assets for investment in respect of any existing client accounts and;
 - iii. Effective immediately, PAAM shall not pay out, redeem or otherwise return any funds or other assets from any existing client accounts, except as provided in paragraph (iv) below.
 - iv. Notwithstanding the restrictions imposed under paragraph (iii), above, PAAM may continue to make periodic payments from any existing client account in respect of which a client has entered into a pre-authorized periodic withdrawal plan with PAAM, provided (a) such plan was entered into before February 10, 2005, (b) such payments are made in compliance with the provisions of the plan, and (c) the amount of such future payments may not be increased from the amount of the most recent previous payment.
 - v. Effective immediately, Manor shall not undertake any action that directly or indirectly constitutes a trade or act in furtherance of a trade in the Notes.
 - vi. Without limiting the generality of the foregoing, Manor shall not authorize, direct or execute trades in the Notes or appoint, authorize or direct any other party to make trades in the Notes.

IT IS FURTHER ORDERED that the Terms supplement and do not replace any other specific terms and conditions that currently apply to PAAM and Manor and PAAM and Manor continue to be subject to all applicable general terms, conditions and other requirements contained in the Act.

IT IS FURTHER ORDERED THAT pursuant to subsection 184(2) of the Act this order shall take effect immediately and shall expire on the 17th day of May 2005, unless extended by the Commission.

DATED at the City of Saint John, Province of New Brunswick this 15th day of February, 2005.

Opportunity to have a hearing declined
and order consented to this 14th day of
February 2005

Hugh J Flemming
Hugh J. Flemming, Member

C. Paul W. Smith
Per: C. Paul W. Smith
Counsel to Portus Alternative Asset
Management

William D. Aust
William D. Aust, Member

Opportunity to have a hearing declined
and order consented to this 14th day of
February 2005

C. Paul W. Smith
Per: C. Paul W. Smith
Counsel to Boaz Manor