

# Vancouver Sun

## Class action suit names broker, Canaccord

Wednesday, July 5, 2000  
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Section: Business  
Byline: David Baines, Sun Business Reporter  
Source: Vancouver Sun

A client of Canaccord Capital Corp. who was swindled by a former Seventh Day Adventist pastor has filed a class action lawsuit in B.C. Supreme Court against the brokerage firm and one of its brokers.

William Gerber of Abbotsford has alleged that Canaccord and John Johnston knew or ought to have known they were aiding an illegal scheme when they funnelled his money to former Seventh Day Adventist pastor Gary Stanhiser.

The lawsuit has been filed under the Class Proceedings Act, and seeks to represent all Canaccord clients who lost money in the scheme.

The lawsuit was filed Thursday, one day after Canaccord settled similar allegations levelled by the B.C. Securities Commission by agreeing to pay \$428,000 in fines and costs.

From 1995 to 1997, Stanhiser recruited about 300 investors in Canada and the United States to participate in his scheme.

About 140 of the investors were clients of Canaccord. They forwarded money to Johnston with instructions to lend the money to Stanhiser's offshore companies, which were supposed to buy large blocks of shares in junior companies on their behalf.

In most cases, however, investors did not receive any shares or recover their money. In all, they lost more than \$11 million.

In March, the securities commission banned Stanhiser from the B.C. stock market for life and fined him \$100,000.

Last Wednesday, Canaccord signed a settlement agreement with the commission stating that it did not knowingly participate in Stanhiser's scheme, but admitting it failed to properly supervise its employees or question the transactions being made by Stanhiser and his companies.

The brokerage firm agreed to pay a \$300,000 penalty, \$45,000 in costs and disgorge \$83,000 in fees and commissions.

Johnston is still working at Canaccord and, according to industry sources, he is negotiating a settlement that would entail a fine and "remedial action" but no suspension.

On Thursday -- one day after the settlement with Canaccord was concluded -- Gerber filed a lawsuit alleging that Canaccord and Johnston knew or ought to have known that Stanhiser was operating an illegal

stock scheme.

The suit was filed on Gerber's behalf by Vancouver lawyer David Church, who is also representing investors who lost money in the Eron Mortgage Corp. scandal. (That suit, also filed under the Class Proceedings Act, alleges that the B.C. registrar of mortgage brokers owed a duty of care to Eron investors, but failed to properly discharge that duty.)

Canaccord clients who reside in California earlier filed a lawsuit in San Bernardino County Superior Court against the brokerage firm, Johnston, Stanhiser and several other parties.

The Superior Court dismissed the suit in April on grounds that the plaintiffs had signed a form waiving their right to sue Canaccord outside B.C.

The plaintiffs have appealed to California Court of Appeal on grounds that such waiver forms are invalid because they deprive California residents of the protection provided by state securities laws.

San Bernardino attorney Tom Mundell, who is representing investors, said Tuesday that Canaccord's admissions to the B.C. commission "would be useful in establishing liability," and he plans to bring them to the attention of the appeal court.

Meanwhile, he said his firm has contacted Church's firm with a view to joining that action in the event that the appeal fails.