

Vancouver Sun

Commission must wield big stick, not just carry it

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Are there any good companies on the Vancouver Stock Exchange? Yes. The problem is there are so many bad stocks, it's hard to find the good ones.

Take Caprice-Greystoke Enterprises Ltd., which announced Tuesday that sales of its combination breath spray and appetite suppressant, called Spray-U-Thin, are booming in Russia.

"Sales of Spray-U-Thin in Russia, even during the winter season, are still increasing, now selling in Moscow alone over 4,000 units per month," said CEO John Spector. "This amount will triple in the spring."

Spector also said market response to a companion product, a caffeine stimulant called Spray-N-Wake, has been "sensational." Retail outlets that will be targeted to sell the product include auto-rental companies, liquor stores and the military. Sales are expected to be in the "millions," he said.

Spector told shareholders in an earlier release the company received "a cascade of free media coverage" for Spray-U-Thin. Even Irma Bombeck mentioned it in one a column, he said.

While this news might stimulate some investors, there are a few background details they should know before writing any cheques.

For one, Caprice-Greystoke's latest financial statements show sales have been declining, not increasing. During the year ending May 31, revenue was only \$317,000 compared to \$1 million the previous year.

For another, the VSE has accused six brokers of manipulating Caprice-Greystoke stock or accepting shares to get their clients to buy the company's shares during 1991-92.

They are Barry Reagh, Buddy Brown and Alexander Kuznecov, all of who were working at Yorkton Securities; Roger Gary and Andrew Katz, who were at Pacific International Securities; and Puneet Sharan who was at Brink Hudson & Lefever Ltd. They are represented by some of Vancouver's best securities lawyers, including Rod Anderson, David Church, Dwight Harbottle and Gary Snarch.

A VSE disciplinary panel was set to hear the case in February, but it was adjourned after Katz and Reagh appealed to the B.C. Securities Commission on grounds the VSE had an institutional bias against them.

They lost the appeal, but Katz appealed to B.C. Court of Appeal. He lost that one too, and now his lawyer, Snarch, says he will appeal to Supreme Court of Canada. The VSE has rescheduled its disciplinary hearing for April.

That's not all the VSE has done. In October 1992, the exchange stalled trading in Caprice's shares for four months until Spector made a series of confessions.

Among other things, he admitted he hired two people to promote the company's shares but failed to publicly disclose the contract, contrary to VSE rules. For their services, he said, the company paid them \$158,912 and he personally paid them \$98,912 worth of stock from his own holdings.

He further admitted he created an "option pool," whereby directors and employees exercised options on 1.1 million shares and deposited the shares into a pool. Shares were then drawn from the pool "to settle debts." He acknowledged this arrangement contravened VSE rules.

He also admitted that due to an accounting error, financial results had been overstated. Instead of a small profit, the company had lost more than \$300,000.

In addition to this written confession, Spector admitted to me that he asked Reagh to high-close the stock. (High-closing is a manipulative technique whereby the stock price is bumped up at the end of the day, thereby creating a misleading impression of public interest in the stock).

He also admitted some of the shares issued by the company to the investor relations people were given to one of the brokers as a "gift."

The VSE's response to all this was to cite the brokers in question, as per its self-regulatory responsibility, and to refer the conduct of non-brokers to the commission. To its chagrin, however, the commission has done nothing.

Sure, the VSE could also force Spector to resign as an officer and director, or even delist the company. But at some point the commission has to step to the plate and do its part. Not only with respect to this file, but dozens of others referred by the VSE.

Until it does, separating the good stocks from the bad will be about as safe as de-activating land mines in Bosnia.