

**IN THE MATTER OF
THE CANADIAN VENTURE EXCHANGE INC.
AND
CLINTON DERWIN HUDJIK**

NOTICE OF HEARING

TO: CLINTON DERWIN HUDJIK, RESPONDENT

**ALLEGED
INFRACTIONS**

WHEREAS the Respondent was at all relevant times within the jurisdiction of the Alberta Stock Exchange ("ASE"), and that jurisdiction has been assumed by the Canadian Venture Exchange Inc. ("CDNX"), effective November 29, 1999;

AND WHEREAS it is alleged that infractions as defined by Part XVI of the ASE By-Law have been committed as per the following facts:

1. Between October, 1994 and September, 1999, Mr. Hudjik was an Investment Advisor in the Calgary office of Global Securities Corporation ("Global").
2. Between February 4, 1998 and August 5, 1999, Mr. Hudjik made a total of more than 2,419 discretionary trades in 8 client cash accounts (the "Client Accounts"). The number of discretionary trades in individual accounts ranged from 1 to approximately 845. Mr. Hudjik exercised discretion as to the volume, timing and price of these trades. None of the clients had provided Mr. Hudjik with any authority to trade in the accounts at his discretion. None of the 8 Client Accounts were submitted to or accepted by Global as discretionary trading accounts.
3. Most of the discretionary trades carried out by Mr. Hudjik were stock flips designed to continuously re-age account debits that had accumulated in the Client Accounts. Some of the clients had knowledge of some re-aging activity by Mr. Hudjik. On several occasions, Mr. Hudjik instructed 2 of the clients to deposit bad cheques to their accounts to further defer settlement of account debits. In the other 6 Client Accounts, no funds were received to pay for any of the trades between February, 1998 and August, 1999 even though trading activity and volumes were substantial.

4. Total client losses as a result of Mr. Hudjik's discretionary trading and re-aging activity are estimated to be \$1,382,000. It is estimated that Mr. Hudjik earned approximately \$160,000 in commissions as a result of these trades, approximately \$100,532 of which he actually received.
5. During 1998 and 1999, Mr. Hudjik regularly recommended trades and conducted discretionary trading in amounts in excess of client means. On at least one occasion in each of 5 of the Client Accounts, the month-end debit position exceeded the estimated net liquid assets of the client, as stated on the client's original account information form. This was a regular occurrence in 4 of those 5 accounts. In 2 of the client accounts, the value of individual trades exceeded the annual income of the client, as stated on the original account information form, on numerous occasions.
6. In exercising discretion in the Client Accounts when he was not permitted to operate a discretionary account and when the account was not designated and accepted as discretionary by his employer, Mr. Hudjik contravened Section 16.07(1) of the ASE By-Law.
7. By engaging in the practice of re-aging debit balances in the Client Accounts and other practices to defer payment for securities, Mr. Hudjik contravened Section 16.01A of the ASE By-Law.
8. By recommending or executing trades in five of the Client Accounts that resulted in month-end debit positions exceeding the estimated net liquid assets of the client and by recommending or executing individual share purchase transactions, the value of which exceeded the annual income of the purchaser, Mr. Hudjik contravened Section 16.01(1)(c) of the ASE By-Law.

PROCEDURES AND RULES

NOW THEREFORE take notice that a Hearing into these allegations will be held, and the rules that shall apply at the Hearing are outlined in CDNX Rule E.2.00.

DATE, TIME AND PLACE

The Hearing will be held on October 16, 2001 at 9:00 a.m. at the Stock Exchange Tower, 10th Floor, 300 – 5th Avenue S.W., Calgary, Alberta.

ONLY OPPORTUNITY TO
PRESENT EVIDENCE

Subject to the right of hearing and review and appeal provided by the *Securities Act*, S.A. 1981, c. S-6.1, your appearance before the Hearing Committee will be your only opportunity to present evidence and call witnesses.

REPRESENTATION
BY COUNSEL

You may be represented by counsel if you so choose.

FAILURE TO REPLY
TO NOTICE OF HEARING

You have the right to appear and be heard at the Hearing. If you wish to appear and be heard, you shall serve the President of CDNX with written notice of such intention within five (5) business days after the date of service of this Notice of Hearing upon you. **Failure to serve such notice shall mean that you accept the above-noted allegations as being proven.**

FAILURE TO ATTEND
THE HEARING

Take notice that if you fail to attend the Hearing, the Hearing Committee may proceed with the Hearing in your absence and without further notice to you and the Committee may accept the facts alleged by the CDNX as having been proven by CDNX and may impose such penalties as may be allowed pursuant to the By-Law of the ASE.

"Angela Huxham"

Angela Huxham
Vice President, Market Regulation
Canadian Venture Exchange Inc.

"Sept. 6, 2001"

Date