



DISCIPLINE NOTICE

In January/February 2002, the Alberta Securities Commission [ASC] convened a hearing to investigate allegations against the CEO and CFO of Proprietary Industries Inc. [PPI]. The ASC concluded that the CEO and CFO were responsible for the misrepresentations of specific transactions in the financial statements for the years ended September 30, 1998, 1999, and 2000 and further concluded that as a result of the misrepresentations, the financial statements were not prepared in compliance with GAAP and were misleading.

James Albert Forbes, CA was a contractor and conducted audit field work on PPI in the role of a senior manager for each of the years ended September 30, 1998, 1999, 2000 and 2001.

On July 8, 2009, a sanction agreement was accepted by the Complaints Inquiry Committee when James Albert Forbes, CA admitted he was guilty of unprofessional conduct in:

1. Having been associated with the audit of Proprietary Industries Inc. for the year ended September 30, 1998 and the issuance of an unqualified report thereon dated January 4, 1999 when the audit failed to comply with generally accepted auditing standards in that:
 - a) sufficient appropriate audit evidence was not obtained to support the opinion given, namely management's representations related to the sale of the shares of Newmex Minerals Inc. were accepted; and
 - b) based on the risk assessment performed, there was a failure to appropriately follow up on and exercise appropriate skepticism and to question management's motives when reviewing the sale of shares of Newmex Minerals Inc.
2. Having been associated with the audit of Proprietary Industries Inc. for the year ended September 30, 1999 and the issuance of an unqualified report thereon dated January 21, 2000 when the audit failed to comply with generally accepted auditing standards in that:
 - a) sufficient appropriate audit evidence was not obtained to support the opinion given, namely management's representations related to the sale of the interest in Swiss Plastering and Interiors, Inc. were accepted;
 - b) based on the risk assessment performed, there was a failure to appropriately follow up on and exercise appropriate skepticism and to question management's motives when reviewing the sale of Swiss Plastering and Interiors, Inc.; and
 - c) no representation letter was obtained from management.
3. Having been associated with the audit of Proprietary Industries Inc. for the year ended September 30, 2000 and the issuance of an unqualified report thereon dated February 12, 2001 when the audit failed to comply with generally accepted auditing standards in that:
 - a) sufficient appropriate audit evidence was not obtained to support the opinion given, namely management's representations related to the sale of the interests in Creative Classics Company and Willow Creek Homes Inc. were accepted; and
 - b) based on the risk assessment performed, there was a failure to appropriately follow up on and exercise appropriate skepticism and to question management's motives when reviewing the sale of Creative Classics Company and Willow Creek Homes Inc.

James Albert Forbes, CA and the Complaints Inquiry Committee have agreed that the sanction to be imposed in consequence thereof will be that James Forbes shall be reprimanded in writing, pay a fine of \$10,000 for each admission of guilt, pay one quarter of the costs of the investigation and hearing to the date of acceptance of the sanction agreement and pay the costs of publication.

PUBLICATION

In addition to this notice, publication was ordered as follows:

Publication as required by the Act and the Bylaws and to the Canadian Public Accountability Board, Alberta Securities Commission, the TSX; and

Publication in the *Calgary Herald* and *Globe and Mail*.

Jude Corrin
Discipline Tribunal Secretary
July 2009