**SANCTION AGREEMENT**
**MEMBER J**

On the 20TH day of November 2012, the Complaints Inquiry Committee of the Institute of Chartered Accountants of Alberta ("Institute") approved and accepted a sanction agreement pursuant to the provisions of Section 74 of the *Regulated Accounting Profession Act, R.S.A. c. R-12 (RAPA).*

Under that Sanction Agreement, Member J, acting alone or as a representative of his public accounting firm, admitted he is guilty of unprofessional conduct with respect to his involvement Client A, Client B, Company C and Client B's Companies D and E as lead engagement partner, in that he:

1) Agreed to provide:
    - corporate tax and accounting services for Company D and Company E commencing with the year ended August 31, 2008;
    - valuation services for Company d with respect to a valuation as at January 1, 2010, as set out in the engagement letter dated December 4, 2009;
    - tax consulting services to Company C, Company D and Company E with respect to a reorganization effective January 1, 2010 as set out in an engagement letter dated December 9, 2009;
    - personal and corporate accounting and tax services to Client A, an employee and 37.5% shareholder of Company C in 2009 and 2010 and subsequently; and
    - assistance to Client A in setting up a personal holding company and advice in connection with the reorganization effective January 1, 2010 although <he>

    a) failed to identify that a reasonable observer would conclude that the duty owed to Client B and Company C was in conflict with the duty owed to Client A;
    b) failed to advise both parties what conflict management techniques would be used to manage the conflict; and
    c) failed to obtain the written consent from both parties to proceed or continue with the engagements.

2) failed to perform professional services with due care in that he made numerous errors in the work performed during the period 2009 to 2010, including:
    a) issuing T5 slips in error on two occasions; firstly in Client B's personal name and secondly in Company F's name, rather than to Company D;
    b) recording the condominium purchased by Client A as a corporate investment; and
    c) failing to include Client A's 2010 stock option benefit as a taxable benefit on the T4 issued to Client A.

**CONDUCT**

Company C had operated for over 30 years. Client A was a key employee and was responsible for the day-to-day operations of Company C. Client B owned through Company F, 100% of Company D and 100% of Company E. Company E owned property adjacent to Company C. In 2006, Clients A and B had entered into an informal agreement which allowed Client A to receive/earn 10% of Company C annually. In 2009, Company C was owned 37.5 % by Client A and 62.5% by Company D.

In 2009, Member J's firm was engaged to provide corporate tax and accounting services for Companies D and E commencing for the year ended August 31, 2008 as well as Company F. The firm was later engaged to complete a compilation engagement for Company C for the years ended August 31, 2009 and August 31, 2010.

In December 2009, the firm was engaged to provide tax consulting services to Companies C, D and E with respect to a reorganization to become effective January 1, 2010 as well as to provide a valuation as at January 1, 2010 for Company D and accounting and tax services for Company F.

Member J, in consultation with Clients A and B, their legal counsel and his firm's tax and valuation specialists, collectively determined the optimal structure to implement for the reorganization. It was suggested that Client A set up his own holding company and the firm was engaged to provide accounting and tax services to it. In 2010, the firm commenced providing personal tax preparation and accounting services to Client A and assisted him in setting up a personal holding company for his shares in Company C. Member J was the lead engagement partner for all of these engagements. In March 2011, Client B cancelled the engagement for Company F.

Throughout this time, the firm had an appropriate conflict of interest policy. Under that policy, Member J was responsible to perform a conflict check and assess, address and resolve any potential conflict with respect to these engagements. Member J did not document any potential conflict or the consideration or use of any conflict management techniques. Member J informed Clients A and B of the various engagements but did not obtain written consent to proceed or continue the engagements.

In October 2010, Clients A and B and Company C entered into a Unanimous Shareholders Agreement which included a buy-sell provision.

Member J provided advice to Client A with respect to the shot gun clause of the buy-sell provision without recognizing the conflict and obtaining consent.

The buy/sell provision was exercised in August 2011 and Client A obtained all the shares of Company C. Member J incorrectly issued the T5 slips twice, failed to record dividend income in Company D, incorrectly recorded an asset of Client B as a corporate investment and failed to include, the 2010 stock option benefit in Client A's T4.

**ORDERS**

Member J and the Complaints Inquiry Committee agreed that the sanctions to be imposed are:

- reprimand from the CIC Chair;
- completion by May 20, 2013 a course or exam on conflict of interest and a course on corporate tax;
- payment of fines of $ 5,000 per finding of unprofessional conduct within 60 days of the issuance of the statement of costs; and
- payment of costs of the investigation, hearing and compliance with the orders, to a maximum of $4,000 within 60 days of the issuance of the statement of costs.

**PUBLICATION**
Member J, and the Complaints Inquiry Committee agreed to the following publication:

1. a summary of the sanction agreement's admissions and sanctions be provided to all provincial institutes, the Institute of Chartered Accountants of Bermuda and any other professional organization to which Member J, belongs and the Institute is aware, as of the date of this order;

2. a summary of the sanction agreement's admissions and sanctions be provided to all provincial institutes to which Member J, applies for membership at any time following this order;

3. a summary of the sanction agreement's admissions and sanctions be provided to any member of the public who directs an enquiry to the Institute about the discipline history of Member J;

4. a summary of the admissions, the nature of the conduct, any orders made as a result of the findings, with all third parties' names replaced by pseudonyms be published on the Institute's public website on a named basis;

5. a copy of the sanction agreement be provided to Quicklaw in accordance with the bylaws; and

If Member J fails to comply with any terms of this sanction agreement within the time specified, the registration of Member J will be cancelled.

Discipline Tribunal Secretary
December 20, 2012