



IN THE MATTER OF THE FINANCIAL INSTITUTIONS ACT
R.S.B.C. 1996, C. 141, AS AMENDED

- AND -

IN THE MATTER OF CHEMAINUS CREDIT UNION, AND
MICHAEL ROBIN CLARKE

ORDER UNDER SECTION 99(2) AND 238, AND
NOTICE OF RIGHT OF HEARING OR APPEAL
UNDER SECTIONS 238(2) AND 242

WHEREAS it appears to the Superintendent of Financial Institutions (the "Superintendent") that:

- 1 Chemainus Credit Union ("Chemainus") is a credit union authorized to conduct deposit business under Section 60(1) of the Financial Institutions Act, (the "Act").
2. Chemainus is situated in the town of Chemainus, British Columbia.
3. The nine-person Board of Directors (the "Board") currently consists of:
 - (a) Larry Hopwo ("Hopwo") - President.
 - (b) Star Ella Anne Adams ("Adams").
 - (c) Charlene Elizabeth Bayes ("Bayes").
 - (d) Maurice William Blackhurst ("Blackhurst").
 - (e) Claude Allyn Burroughs ("Burroughs").
 - (f) Janet Elaine Mitchell ("Mitchell").
 - (g) Michele Riley ("Riley").

Leslie Albert Skene ("Skene").

- (i) Melvin H. Stevens ("Stevens").
- 4. Chemainus has four officers - Henry Houde ("Houde"), General Manager, Michael Robin Clarke ("Clarke"), Operations Manager, Deborah Lovely ("Lovely"), Loans Manager, and Audrey Delaine Aird ("Aird"), Marketing Manager. The records of the Financial Institutions Commission ("FICOM") show that Clarke has been an officer of Chemainus since December 2000.
- 5. In September 2003, as a result of information received from a variety of sources, an investigation was conducted by members of FICOM's Investigation Department into allegations that Houde is conducting himself in a manner which places him in a conflict of interest and is prejudicial to Chemainus.
- 6. Specifically, it has been determined that Houde, as General Manager, and an officer of Chemainus:

Has a controlling interest in the AUTOMONEY account held at Chemainus, despite the fact that the sole signatory on the account is a [REDACTED]

That all the cheques written on the AUTOMONEY account are in Houde's handwriting and signed with a signature, purporting to be [REDACTED]

Appears to be allowing the sale of vehicles, repossessed by Chemainus, at below market value. The sale of these vehicles is believed to be to non-arms length individuals and companies.

Financing of the subsequent resale of these vehicles is facilitated through the AUTOMONEY account.

Houde has failed to follow regulatory rules in changing the account status of the AUTOMONEY account.

- (f) Houde has allowed the release of the security on a vehicle loan prior to Chemainus receiving full payment for the loan.

Houde has abused his position by registering a lien in AUTOMONEY'S name using Chemainus' computer system.

- (h) Houde has intertwined the personal business of AUTOMONEY, Orca Auto Brokers, and that of his associates, into that of the credit union in such a manner that is detrimental to the day-to-day operations and the overall stability of Chemainus.
- 7. On October 7th, 2003 the Superintendent of Financial Institutions found Houde was unsuitable to be in position to control or influence a financial instructions and issued an order to that effect pursuant to Section 99 of the Act.
- 8. Clarke's duties as the Operations Manager include:
 - (a) Dealing with all overdrafts and delinquencies.
 - (b) Attending to business referred by mortgage brokers and auto dealers.
 - (c) Dealing, in the company of Houde, with repossessed vehicles.
- 9. Specifically, it has been determined that Clarke, as Operations Manager, and an officer of Chemainus:
 - (a) Was aware of the conflict of interest Houde was in and failed to report it to the Board or regulators and in fact (although declined) was offered a chance to participate in the scheme.

Participated in and allowed credit union funds to flow into the AUTOMONEY account by allowing a \$5,000.00 increase in borrowing to an individual who was in a non-arm's length relationship with Houde.

Was well aware of the fact that credit union repossessed vehicles were being sold to an entity Houde had less than an arm's length relationship with.

Failed to follow the Board of Directors instructions that he and Houde were to inspect all repossessed vehicles prior to disposing of them to ensure Chemainus was receiving fair market value. His failure to do so may have cost the credit union a significant amount of money.

Failed to discharge his duties with a number of problem loan accounts including:

The [REDACTED] Account.

ii. The [REDACTED] Account.

- (f) Allowed an account to carry an unauthorized account overdraft that exceeded the authorized limit of the account by (at times) over \$100,000.00, and although aware, did not take action when the account used a series of manipulations at months end to suppress the actual deficit position which resulted in the matter not being brought to the Board's attention.
- (g) When interviewed on October 7th 2003 by FICOM staff and in response to the above issues failed to account for his lack of action and in fact was evasive and unable to answer any questions with respect to the operations of Chemainus.

AND WHEREAS the Superintendent is of the opinion that by the above acts or conduct, Michael Robin Clarke is an individual who ought not to be in a position to control or influence a financial institution.

AND WHEREAS the Superintendent considers, pursuant to Section 238(1)(b) of the Act that the length of time that would be required to hold a hearing would be detrimental to the due administration of the Act.

AND THEREFORE the Superintendent orders pursuant to Sections 99(2) that:

Michael Robin Clarke immediately cease from being a director or officer of Chemainus Credit Union.

TAKE NOTICE THAT Michael Robin Clarke has a right to a hearing or an appeal under Sections 238(2) and 242 of the Act.

Dated at the City of Vancouver, Province of British Columbia, this 9th day of October, 2003.



W. Alan Clark
Superintendent of Financial Institutions
Province of British Columbia

TO: Michael Robin Clarke
10728 Madrona Drive
Sidney, British Columbia

The Board of Directors
Chemainus Credit Union
Chemainus, British Columbia