IN THE MATTER OF
THE *SECURITIES ACT* R.S.O. 1990, c.S.5, as amended

AND

ATI TECHNOLOGIES INC., KWOK YUEN HO,
BETTY HO, JO-ANNE CHANG, DAVID STONE,
MARY DE LA TORRE, ALAN RAE, AND SALLY DAUB

STATEMENT OF ALLEGATIONS OF STAFF OF THE ONTARIO SECURITIES COMMISSION

I. The Respondents

1. ATI Technologies Inc. designs, manufactures and markets video, graphics and multi-media hardware and software products for the desktop and mobile personal computer markets. It was incorporated in 1985. Its shares were listed and posted for trading on the Toronto Stock Exchange on November 29, 1993.

2. Kwok Yuen Ho (K.Y. Ho) was a founder of ATI. Between September 1, 1999 and August 31, 2000 (the material time) he was the Chief Executive Officer and a Director of ATI.

3. Betty Ho is married to K.Y. Ho.

4. Jo-Anne Chang was the Director of Investor Relations at ATI during the material time.

5. David Stone is married to Chang.

6. Mary de la Torre was the Manager of Marketing Administration at ATI during the material time.

7. Alan Rae is married to de la Torre.

8. Sally Daub was General Counsel at ATI during the material time.

II. Overview of Staff's Allegations

9. The specific allegations advanced by Staff are:

(a) That ATI failed to disclose material information forthwith contrary to s. 408 of the TSX Company Manual and thereby acted contrary to the public interest. The material information was that ATI would report lower than expected revenue and earnings for Q3-2000.

(b) That ATI made a statement to Staff of the Commission during the course of its investigation of ATI that, in a material respect and at the time and in light of the circumstances in which the statement was made, was misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statement not misleading. In particular, ATI made the statement that the earliest material meetings, communications, events and developments leading up to the disclosure on May 24, 2000 occurred on May 16, 2000.

(c) That between April 24, 2000 and May 2, 2000, K.Y. Ho and Betty Ho traded 494,900 ATI shares. At the time these shares were traded, they were in a special relationship with ATI and had knowledge of a material fact with respect to ATI that had not been generally disclosed. The material fact was that ATI would fall short of its forecasted revenue and earnings for Q3-2000. Of these shares, 240,900 ATI shares were sold from an account in the name of Betty Ho for total proceeds of approximately $6,954,279. By selling the shares prior to the issuance of the news release on May 24, 2000, K.Y. Ho and Betty Ho avoided a loss of $3,352,824. The remaining 254,000 shares were donated to charities from an account in the name of K.Y. Ho. By donating the shares prior to the issuance of the news release, K.Y. Ho was able to maximize his tax benefit and avoid a loss in the value of the shares of $3,585,100.

(d) That between May 10, 2000 and May 19, 2000, Chang and Stone purchased 1,000 put option contracts, representing a total of 100,000 shares of ATI, at a time when they were in a special relationship with ATI and had knowledge of a material fact with respect to ATI that had not been generally disclosed. The material fact was that ATI would fall short of its forecasted revenue and earnings for sales for Q3-2000. On May 24, 2000 they exercised the put option contracts for profit of approximately $950,385.

(e) That on May 23, 2000, de la Torre and Rae sold 1,000 ATI shares for total proceeds of approximately $26,000. At the time the shares were sold, they were in a special relationship with ATI and had knowledge of a material fact with respect to ATI that had not been generally disclosed. The material fact was that ATI would fall short of its forecasted revenue and earnings for sales of Q3-2000. As a result of the sale of their shares, they avoided a loss of $11,050.

(f) That Daub made a statement to Staff of the Commission during the course of its investigation of ATI that, in a material respect and at the time and in light of the circumstances in which the statement was made, was misleading or untrue or did not state a fact that was required to be stated or was necessary to make the statement not misleading. In particular, Daub made the statement that the earliest material meetings, communications, events and developments leading up to the disclosure on May 24, 2000 occurred on May 16, 2000.

III. Background to Allegations

a) Operating Plan for Fiscal 2000

10. ATI's fiscal 2000 year began on September 1, 1999.

11. On October 19, 2000 the Board of Directors implemented the fiscal 2000 Operating Plan. The plan set the company's overall direction for fiscal 2000. It was used to determine financial, operating and technical objectives and provide a basis of measuring actual performance against these objectives.

12. Preparation of the plan was overseen by the Chief Financial Officer.

13. The plan set out the financial objectives for fiscal 2000 as:

Sales	US$1.5 billion
Gross Margins	32%
Earnings	US$0.62 per share

For Q3, sales were budgeted to be US$310,000,000.

b) ATI's Customers

14. ATI recognizes revenue when products are shipped to customers.

15. ATI had four types of customers: Original Equipment Manufacturers (OEMs), system builders, distributors and retail. OEMs and distributors are ATI's main customers.

16. OEM customers incorporate ATI's graphic chips and boards into their own line of personal computers which are ultimately sold to the retail market. ATI's OEM customers include Apple, Dell, Compaq and Fujitisu. OEMs grant design contracts, known as "design wins", to graphics companies they choose to

purchase products from.

17. OEMs introduce new personal computer systems as often as twice a year and look for graphics products that are competitive in costs, performance and quality. As a result, ATI's success depends largely on securing design wins.

c) Sales Summaries and Sales Meetings

18. Summary reports were distributed to Directors and senior management on a weekly basis. The reports were comprised of weekly sales analysis, a financial summary, and a graph depicting actual sales achieved compared to sales targets.

19. Sales meetings were held weekly to discuss sales and production. During these meetings, sales managers would discuss sales achieved as compared to requested targets with senior management.

IV. Particulars of Allegations

A. ATI's Failure to Disclose in a Timely Manner

i. ATI's Public Profile

20. Between September 1, 1999 and May 23, 2000, ATI presented a consistently positive profile of its business to analysts and investors.

21. On January 13, 2000 ATI issued a news release and announced "first quarter sets revenue record."

22. Later that day, ATI management held a conference call with analysts and stated it expected 25% year over year revenue growth and gross margins in the "low 30s"

for fiscal 2000.

23. For the three month period between February 1 and April 30, 2000, ATI issued 31 positive press releases.

24. On April 6, 2000 ATI management held a conference call with analysts and repeated its guidance that it expected 20-25% year over year revenue growth and gross margins in the "low 30s" for the balance of the year.

ii. An Unexpected Announcement

25. Prior to the opening of trading on May 24, 2000, ATI released an early warning news release that it expected a loss of .06¢ to .07¢ per share for Q3-2000. ATI filed a material change report with the Commission on May 25, 2000. The Company cited component shortages and aggressive pricing from competitors as the reasons for the adverse results.

26. As a result of the announcement on May 24, 2000, ATI's share price fell by 42% from $25.45 to $14.75. On May 25, 2000, the price fell further to close at $12.10 for a two day loss of 53% from $25.45 to $12.10.

iii. Senior Management's Awareness of Problems at ATI

27. Senior management were aware of problems at ATI and were aware in late April 2000 that ATI would not achieve its Q3 forecast. The Operating Plan had highlighted various concerns for fiscal 2000 including risks regarding market share, competition, higher costs, lack of a competitive product and declining gross margins. Senior management were warned of rising inventory levels.

28. Senior management were aware that ATI was having difficulty achieving sales forecasts. In order to achieve the forecasts, ATI placed as much inventory as

possible with its customers to make up the shortfall between actual sales and sales forecasts. This practice is known in the industry as stuffing the channel.

29. ATI's Q2 ended on February 29, 2000. Sales for the final week of Q2 were $155 million and total sales for the quarter were $380 million. Over 40% of Q2 sales occurred in the final week of the quarter. In order to meet Q2 sales targets, ATI stuffed the channel.

30. From the outset of Q3, the weekly sales summaries reflected that sales began slowly and did not achieve forecasts set internally by ATI. Sales began slowly for Q3 because the distribution channel was full and customers were not ordering product after the massive shipping effort in the last week of Q2.

31. Senior management were aware that ATI was stuffing the channel and were aware of the adverse effects the practice was having on subsequent quarters.

32. On March 20, 2000 the Vice-President for Sales in Europe warned senior management that Q3 revenue objectives for Europe might not be met.

33. On April 11 and 12, 2000 ATI's Controller informed senior management that he had analysed the sales forecast for ATI's European Division and concluded that the forecast was too high and requested it be reviewed.

34. On April 19, 2000 senior management had the weekly sales summary for Q3, week 7. The report indicated that ATI sales to date were $33 million behind target. As the weeks wore on, ATI continually failed to reach its weekly sales targets.

35. On April 21, 2000 the General Manager of ATI Technologies (Europe) Ltd. informed senior management that forecasted revenue for Q3 in Europe would be $35 million short of the requested target.

36. By May 6, 2000 senior management had decided to issue a Q3 earnings warning and were discussing the timing of the news release. In an e-mail to the CFO, the Chief Operating Officer indicated he had discussed the issue of the timing of the release with Chang and she was pushing for late May to June 1, 2000.

B. ATI's False Statement to Staff

37. On August 1, 2000, Staff wrote to ATI requesting a chronology of events which resulted in the announcement of May 24, 2000. In a letter dated August 30, 2000 ATI provided a chronology of all material meetings, communications, events and developments leading up to the disclosure on May 24, 2000. In the chronology, the first of all material meetings, communications, events and developments leading up to the disclosure on May 24, was identified as having occurred on May 16.

38. By May 6, 2000 senior management had decided to issue the early warning press release.

39. On May 12, 2000, Chang had invited the COO and others to a meeting to discuss the timing of the press release.

C. Insider Trading of K.Y. Ho and Betty Ho

40. K.Y. Ho was a founder of ATI and had a thorough knowledge of the computer chip business. He was aware of the positive information that ATI was providing to analysts and investors. At the same time, he was aware of the problems at ATI. He was aware of the concerns raised in the 2000 Operating Plan. He was aware of the difficulties that ATI had in achieving Q1 and Q2 sales. He received the weekly sales summaries. He attended the weekly sales meetings. He knew the importance of European sales to the overall sales picture. He received or was

copied with e-mails from Europe indicating that their sales staff would be unable to meet their sales objectives. Indeed, on April 21, 2000 he was copied with the e-mail from the General Manager of ATI Technologies (Europe) Ltd. informing senior management that Europe would fall short of its requested target by $35 million.

41. Beginning on the next trading day of April 24, 2000 and continuing through May 2, 2000, 240,900 ATI shares were sold for total proceeds of approximately $6,954,279 from an account in the name of Betty Ho.

42. These shares were previously delivered from an account in the name of K.Y. Ho to an account in the name of Betty Ho.

43. By selling the shares prior to the issuance of the news release on May 24, 2000, K.Y. Ho and Betty Ho avoided a loss of approximately $3,352,824.

44. Between April 24, 2000 and May 2, 2000, an account in the name of K.Y. Ho donated 254,000 shares to charities.

45. Previously, on July 12, 1999, an account in the name of Betty Ho delivered ATI shares to an account in the name of K.Y. Ho. These shares were delivered to enable K.Y. Ho to satisfy a pledge to the Princess Margaret Hospital.

46. K.Y. Ho and Betty Ho delayed the donation of the ATI shares to the hospital due to a depression in the value of the shares at the time.

47. By donating the shares between April 24, 2000 and May 2, 2000, prior to the issuance of the news release on May 24, 2000, K.Y. Ho maximized his tax benefit and avoided a loss in the value of the shares of $3,586,167.

D. Insider Trading of Chang and Stone

48. As the Director of Investor Relations, Chang was thoroughly familiar with the information ATI was providing to analysts and investors. She was copied with the weekly sales summaries.

49. On February 7, 2000 Chang and Stone incorporated QDOS Capital Corp. in the Turks and Caicos Islands.

50. On February 11, 2000 QDOS opened a brokerage account in the Turks and Caicos Islands.

51. On March 31, 2000, the brokerage account was updated to include options trading.

52. On May 6, 2000 ATI's COO e-mailed the CFO indicating that he had discussed the issue of the timing of the news release with Chang and she was pushing for late May to June 1.

53. Between May 10, 2000 and May 24, 2000, QDOS purchased a total of 1,000 put options for a total cost of approximately $311,180.

54. On May 24, 2000 ATI issued the early warning news release. Chang was responsible for its drafting.

55. On May 24, 2000 QDOS purchased 100,000 shares at an average price of $14.70 for a total cost of approximately $1,489,935, exercised 1,000 ATI put option contracts and sold 100,000 shares at an average price of $27.57. The gross profit, after the exercise of the options and the sale of the shares, was $1,261,565. After deducting the cost of the purchase of the put options, the net profit derived from the trading was approximately $950,385.

56. After earning the profit, Chang and Stone subsequently incorporated other offshore entities to move the money through various offshore accounts.

E. Insider trading of de la Torre and Rae

57. In the letter of August 30, 2000, ATI attached a list of all persons inside and outside ATI, who to the best of ATI's knowledge, participated in or were privy to information about the company's preliminary results prior to public announcement on May 24, 2000. De la Torre was identified as one privy to information on May 18, 2000.

58. On May 23, 2000, at 8:15 a.m. Rae placed an order to sell 1,000 ATI shares. The order was filled at 9:30 a.m.

59. On May 23, 2000, at 1:11 p.m. de la Torre e-mailed K.Y. Ho a draft of an employee announcement of K.Y. Ho and the COO that ATI would significantly miss its revenue and earnings for Q3-2000.

F. Misleading Statements of Daub

60. As set out in paragraph 37, ATI provided Staff with a letter dated August 30, 2000. This letter was prepared under the supervision of Daub and was signed by her. In the letter, she provided a chronology in which the first of all material meetings, communications, events and developments leading up to the disclosure of May 24 was identified as May 16. The letter also indicated the first date that she was aware of the problem was May 19, 2000.

61. On May 11, 2000 Chang e-mailed Daub and others regarding a meeting on May 12. One of the topics to be discussed at the meeting was the timing of the press release. Daub was invited to attend this meeting.

V. Conduct Contrary to the Public Interest and Contrary to Ontario Securities Law

62. Staff submit that:

a) ATI failed to disclose material information forthwith contrary to the provisions of the TSX Company Manual and contrary to the public interest;

b) That ATI and Daub made misleading statements to Staff contrary to Ontario securities law and contrary to the public interest; and

c) That K.Y. Ho, Betty Ho, Chang, Stone, de la Torre and Rae committed insider trading contrary to section 76(1) of the Act and contrary to the public interest.

63. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

Dated at Toronto this 16th day of January, 2003.