

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

-AND-

IN THE MATTER OF CIBC WORLD MARKETS INC.

**STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission make the following allegations:

1. CIBC World Markets Inc. is a corporation registered with the Commission as an Investment Dealer. It carries on business as an investment dealer in the Province of Ontario, as well as in other provinces of Canada.
2. CIBC World Markets is a wholly-owned subsidiary, and thus an affiliate, of Canadian Imperial Bank of Commerce ("CIBC").
3. Shoppers Drug Mart Corporation is a New Brunswick corporation which operates a chain of drug stores and pharmacies across Canada. Shoppers completed an initial public offering of common shares in November, 2001 (the "IPO").
4. CIBC World Markets acted as the lead underwriter of the IPO. The IPO closed on November 21, 2001.
5. At the time of the IPO, and as disclosed in the IPO prospectus, CIBC Capital (SD Holdings) Inc., an affiliate of CIBC World Markets, held 7,000,000 shares of Shoppers. CIBC World Markets purchased a further 450,000 shares of Shoppers pursuant to the IPO. CIBC World Markets and CIBC Capital continued to hold these shares during the period between November 21, 2001 and February 8, 2002 (the "Material Period").
6. During the Material Period, and as disclosed in the IPO prospectus, Shoppers was indebted to CIBC. The amount of outstanding indebtedness varied from \$59.51 million to \$67.39 million during the Material Period.

The Research Reports

7. During the Material Period, CIBC World Markets published five equity research reports recommending the purchase of securities of Shoppers. The five reports were dated December 17, 2001, December 18, 2001, December 19, 2001, January 10, 2002 and

February 8, 2002 (the “Research Reports”), and were intended for general circulation, being distributed both internally at CIBC World Markets and to its institutional and retail clients located throughout Canada, including the Provinces of Ontario and Quebec, upon request.

8. The Research Reports all stated that shares of Shoppers were rated as a “strong buy”.
9. On January 15, 2002, CIBC World Markets published an equity research report concerning shares of Jean Coutu Group Inc., a competitor of Shoppers, and the only other company in this market sector followed by CIBC World Markets analysts. In this report, CIBC World Markets downgraded its rating of the shares of Jean Coutu from a “strong buy” to a “hold”.

Failure to Disclose Interests

10. In the Research Reports, CIBC World Markets failed to adequately disclose the full nature of the relationship between itself and its affiliated companies and Shoppers. CIBC World Markets thus failed to adequately disclose the potential conflicts of interest inherent in its recommendation of the purchase of Shoppers shares. Specifically:
 - (a) in the Research Reports, CIBC World Markets failed to adequately disclose that it had assumed an underwriting liability to Shoppers during the past 12 months, contrary to section 41 of the *Securities Act*;
 - (b) in the Research Reports, CIBC World Markets failed to adequately disclose that, along with its affiliate, it owned 7,450,000 shares of Shoppers, contrary to section 40(a) of the *Securities Act*; and
 - (c) in the Research Reports, CIBC World Markets did not disclose that Shoppers was indebted to CIBC.
11. The obligation to make full disclosure in the Research Reports was important in a period when CIBC World Markets was changing its recommendation concerning the shares of Shoppers’ major competitor.
12. Staff make no allegation of impropriety concerning the formulation of CIBC World Markets’ recommendations regarding the purchase of shares of Shoppers or Jean Coutu during the Material Period.

First Report – December 17, 2001

13. In the 46 page research report dated December 17, 2001, CIBC World Markets stated that “CIBC World Markets, or one of its affiliated companies, has performed investment banking services for this company”.

14. This report also contained the statement:

[a] CIBC World Markets company may have acted as initial purchaser or placement agent for a private placement of any of the securities of any company mentioned in this report, may from time to time solicit from or perform financial, advisory, investment banking or other services for such company, or have lending or other credit relationships with the same.
15. This report also contained the statement:

[a] CIBC World Markets company or its shareholders, directors, officers and/or employees, may have a long or short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon.
16. The latter two statements were printed in type less legible than that used in the body of the report.
17. These statements failed to adequately disclose the fact that CIBC World Markets had assumed an underwriting liability with respect to securities of Shoppers within the previous twelve months.
18. This report incorrectly stated the number of shares of Shoppers held by CIBC World Markets and its affiliates, disclosing only the 7,000,000 shares held by CIBC Capital.
19. This report did not disclose the fact that Shoppers was indebted to CIBC.

Second Report – December 18, 2001

20. The two page research report dated December 18, 2001 contained the statement:

[a] CIBC World Markets company may have acted as initial purchaser or placement agent for a private placement of any of the securities of any company mentioned in this report, may from time to time solicit from or perform financial, advisory, investment banking or other services for such company, or have lending or other credit relationships with the same.
21. This report also contained the statement :

[a] CIBC World Markets company or its shareholders, directors, officers and/or employees, may have a long or short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon.
22. Both of these statements were printed in type less legible than that used in the body of the report.
23. These statements failed to adequately disclose the fact that CIBC World Markets had assumed an underwriting liability with respect to securities of Shoppers within the previous twelve months.

24. These statements failed to adequately disclose the fact that CIBC World Markets and its affiliates owned 7,450,000 shares of Shoppers.
25. These statements did not disclose the fact that Shoppers was indebted to CIBC.

Third Report – December 19, 2001

26. The four page research report dated December 19, 2001 contained the statement:
 - [a] CIBC World Markets company may have acted as initial purchaser or placement agent for a private placement of any of the securities of any company mentioned in this report, may from time to time solicit from or perform financial, advisory, investment banking or other services for such company, or have lending or other credit relationships with the same.
27. This report also contained the statement :
 - [a] CIBC World Markets company or its shareholders, directors, officers and/or employees, may have a long or short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon.
28. Both of these statements were printed in type less legible than that used in the body of the report.
29. These statements failed to adequately disclose the fact that CIBC World Markets had assumed an underwriting liability with respect to securities of Shoppers within the previous twelve months.
30. These statements failed to adequately disclose the fact that CIBC World Markets and its affiliates owned 7,450,000 shares of Shoppers.
31. These statements did not disclose the fact that Shoppers was indebted to CIBC.

Fourth Report – January 10, 2002

32. The five page research report dated January 10, 2002 contained the statement:
 - [a] CIBC World Markets company may have acted as initial purchaser or placement agent for a private placement of any of the securities of any company mentioned in this report, may from time to time solicit from or perform financial, advisory, investment banking or other services for such company, or have lending or other credit relationships with the same.
33. This report also contained the statement :
 - [a] CIBC World Markets company or its shareholders, directors, officers and/or employees, may have a long or short position or deal as principal in the securities

discussed herein, related securities or in options, futures or other derivative instruments based thereon.

34. Both of these statements were printed in type less legible than that used in the body of the report.
35. These statements failed to adequately disclose the fact that CIBC World Markets had assumed an underwriting liability with respect to securities of Shoppers within the previous twelve months.
36. These statements failed to adequately disclose the fact that CIBC World Markets and its affiliates owned 7,450,000 shares of Shoppers.
37. These statements did not disclose the fact that Shoppers was indebted to CIBC.

Fifth Report – February 8, 2002

38. The six page research report dated February 8, 2002 contained the statement “CIBC World Markets, or one of its affiliated companies, managed or co-managed a public offering for securities for Shoppers Drug Mart within the last three years”.
39. This report also contained the statement:
 - [a] CIBC World Markets company may have acted as initial purchaser or placement agent for a private placement of any of the securities of any company mentioned in this report, may from time to time solicit from or perform financial, advisory, investment banking or other services for such company, or have lending or other credit relationships with the same.
40. This report also contained the statement :
 - [a] CIBC World Markets company or its shareholders, directors, officers and/or employees, may have a long or short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon.
41. All of these statements were printed in type less legible than that used in the body of the report.
42. These statements failed to adequately disclose the fact that CIBC World Markets had assumed an underwriting liability with respect to securities of Shoppers within the previous twelve months.
43. These statements failed to adequately disclose the fact that CIBC World Markets and its affiliates owned 7,450,000 shares of Shoppers.
44. These statements did not disclose the fact that Shoppers was indebted to CIBC.

Conduct Contrary to the Public Interest

45. CIBC World Markets' conduct, as outlined above, was contrary to the public interest.
46. Such additional allegations as Staff may advise and the Commission may permit.

DATED at Toronto, this 27th day of January, 2003