

Re Ewaniuk

IN THE MATTER OF:

**THE DEALER MEMBER RULES OF THE
INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**

AND

THE BY-LAWS OF THE INVESTMENT DEALERS ASSOCIATION OF CANADA

AND

ROSS PATRICK EWANIUK

2010 IIROC 20
File No. 0278/Mar/06.2

Investment Industry Regulatory Organization of Canada
Hearing Panel (Alberta District Council)

Hearing: April 19, 2010 at Calgary, Alberta
Decision: April 27, 2010
(21 paras.)

Hearing Panel:

Alan V.M. Beattie, Q.C. – Chair
Kathleen Jost, Industry Representative
William J. Welton, Industry Representative

Appearances:

Faye Emmanuel, Counsel for the Association
Ross Patrick Ewaniuk (unrepresented)
Gil Gauthier, The Manager, Investigations, Calgary Office of the Association

HEARING PANEL PENALTY DECISION (SETTLEMENT AGREEMENT)

INTRODUCTION

¶ 1 A Settlement Agreement was entered into dated April 5, 2010 between Ross Patrick Ewaniuk (“the Respondent”) and the Investment Industry Regulatory Organization of Canada (“IIROC”) in accordance with IIROC Dealer Member Rules 20.35 to 20.40, inclusive and Rule 15 of the Dealer Member Rules of Practice and Procedure.

¶ 2 In the Settlement Agreement the Respondent admits to contraventions (below). The Settlement Agreement contains a complete Statement of Facts, a description of the Contraventions and the Terms of Settlement. It is stated that the Settlement Agreement is subject to acceptance by the Hearing Panel and if the Panel accepts the Settlement Agreement, the Respondent waives his right under IIROC rules and any applicable legislation to a disciplinary hearing, review or appeal. In the Settlement Agreement IIROC and the Respondent

jointly recommend that the Hearing Panel accept the Settlement Agreement.

¶ 3 A Settlement Hearing Book was provided in advance of the Hearing by IIROC to the Respondent and members of the Hearing Panel.

STATEMENT OF FACTS

¶ 4 The Statement of Facts in the Settlement Agreement includes:

Factual Background

(i) General

- 15. On March 10, 2006, the IDA received a letter dated February 15, 2006, from an anonymous complainant alleging that two other registrants of Northern Securities (NSI), and a third party, T.V., were involved in the illegal distribution of three (3) US Pink-sheet traded securities – Sure Trace Security Corporation (SSTY), Tango Incorporated (TNGO) and Victory Capital Holdings Corporation (VTYC).
- 16. Staff opened an investigation into the Respondent’s conduct on July 6, 2006 and interviewed him on two occasions in 2007.

(ii) Background of the Respondent

17. The Respondent has been duly registered and approved as follows:

Registration Issue Date	Registration Termination Date	Employer	Registration Category
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2003/09	2009/12/18	Northern Securities Inc.	Registered Representative
2001/08	2003/09	Leede Financial Markets	Registered Representative

18. On June 1, 2008, the Respondent became a regulated person of IIROC. The Respondent’s employment with NSI was terminated in December 2009.

Summary of Events

(i) The Securities

- 19. SSTY, TNGO, and VTYC are all companies that were incorporated in the United States.
- 20. The Respondent was introduced to SSTY and TNGO by T.V. T.V. was a friend and client of the Respondent, and had held individual accounts and two corporate accounts at NSI since 2004.
- 21. At various times, T.V. had been the President and/or Director of both SSTY and TNGO. At all material times, the Respondent knew that T.V. was, or had been, an insider with SSTY and TNGO.

(ii) The Clients

22. Staff conducted a review of NSI client accounts and determined that the majority of trades during 2004 to 2006 in SSTY, TNGO and VTYC were conducted in the Respondent’s accounts; particularly the following five accounts (together, the “Relevant Accounts”):

- a) Client B.R.;
 - Account opened in November 2004
 - B.R. was referred to the Respondent by T.V.

- b) Client S.R.;
 - Accounts opened in October 2003
 - S.R. was referred to the Respondent by T.V.
- c) Client S.A. (# Alberta Ltd.);
 - Accounts opened in October 2005
 - Referred to the Respondent by S.R.
- d) Client G.F.:
 - Resident of British Columbia
 - Account opened in October 2003
- e) The Respondent's corporate account, 796046 Alberta Ltd.
 - Account opened in November 2003.

23. Between 2004 and 2006, numerous trades in SSTY, TNGO and VTYC were conducted in the Relevant Accounts.
24. Generally, the share certificates of SSTY, TNGO and/or VTYC received into the Relevant Accounts were issued directly from company treasury, were transferred from T.V. or were received from unidentified sources.
25. At all material times, NSI had a process for approving deposits of share certificates of OTCBB and Pink-sheets traded securities to retail accounts. However, in many instances, there is no record of NSI approval for shares received by the Relevant Accounts.
26. Furthermore, in most instances, there is no record of payment for the shares received into the Relevant Accounts.
27. In some instances, a Subscription Agreement was executed by the account holder in receipt of SSTY or TNGO shares. Generally, the Subscription Agreements included terms concerning and/or restricting the purchase, receipt and resale of the SSTY or TNGO shares.
28. As detailed below in paragraphs 29 to 33, the majority of SSTY, TNGO and/or VTYC shares received into the Relevant Accounts were sold into the market; some of the sales occurred within a short period of time after receipt of the shares.

¶ 5 There follows several paragraphs detailing the large amount of shares acquired in the accounts, totalling approximately 250 million shares, most of which were sold into the market.

34. Most of the proceeds from the sales of the securities were withdrawn by the account holder shortly after the sale occurred.

(iii) Issues Concerning the Sale and Distribution of the Securities

35. At all material times T.V. was not registered to distribute and/or sell securities in Alberta and/or British Columbia.
36. At all material times SSTY, TNGO and VTYC were not eligible for distribution and sale in Alberta or British Columbia as they were not registered as reporting issuers, nor were there any filings for prospectus exemptions in either Alberta or British Columbia.

(iv) Inadequate Inquiries

37. The Respondent facilitated and participated in transactions involving SSTY, TNGO and/or VTYC in the Relevant Accounts without making adequate inquiries as to whether or not SSTY,

TNGO and/or VTYC were eligible for distribution, purchase, or resale into the market in accordance with the *Alberta Securities Act* and/or the *British Columbia Securities Act*.

38. In addition, the Respondent failed to:

- (i) review and ensure that B.R., S.A. (# Alberta Ltd.), G.F., and the Respondent Corporate Account complied with the terms of the SSTY Subscription Agreement;
- (ii) review and ensure that the Respondent Corporate Account complied with the terms of the TNGO Subscription Agreement;
- (iii) make any, or any reasonable, inquiries of T.V., or any other source, regarding the basis of the ownership and authority for transfer of the SSTY shares transferred from T.V. and B.D.P. Ltd., to the Respondent Corporate Account; and
- (iv) make any, or any reasonable, inquiries of T.V., or any other source, regarding the basis of the ownership and authority for transfer of the TNGO shares transferred from T.V. to the Respondent Corporate Account.

(v) **Other**

39. The Respondent has no previous disciplinary history with the IDA or IIROC.

CONTRAVENTIONS

¶ 6 The Settlement Agreement includes:

40. The Respondent admits to the following contraventions of IIROC Rules, IDA By-Laws, Regulations or Policies:

Count 1

Between 2004 and 2006, while employed as a Registered Representative at Northern Securities Inc., the Respondent failed to properly perform his role as gatekeeper in the capital markets, by facilitating and participating in transactions involving SSTY, TNGO and/or VTYC (the Securities), in four (4) client accounts and the Respondent's corporate investment account, without making adequate inquiries as to whether or not:

- i) the Securities were eligible to be distributed by the seller and/or transferor;
- ii) the Securities were eligible for purchase or receipt by the clients and the Respondent's corporate investment account; and
- iii) the Securities were eligible for sale into the market,

in accordance with the *Alberta Securities Act* and/or the *British Columbia Securities Act*, thereby engaging in conduct unbecoming or detrimental to the public interest, contrary to IDA By-law 29.1.

TERMS OF SETTLEMENT

¶ 7 The Settlement Agreement includes:

41. The Respondent agrees to the following terms of settlement:

- a) A Fine in the amount of \$27,500;
- b) The Respondent's registration in all capacities shall be suspended for a period one year from the effective date of the Settlement Agreement;
- c) As a condition of re-approval in any capacity, the Respondent shall successfully complete the Conduct and Practices Handbook examination; and
- d) As a condition to re-approval in any capacity, the Respondent shall be subject to a period of one year of strict supervision.

42. The Respondent shall pay a portion of Staff's costs of this proceeding in the amount of \$5,000.00.
43. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately upon the effective date of the Settlement Agreement.
44. Unless otherwise stated, any suspensions, bars, expulsions, restrictions or other terms of the Settlement Agreement shall commence on the effective date of the Settlement Agreement.

SUBMISSIONS OF IIROC

¶ 8 The foregoing Agreed Statement of Facts, Contraventions and Terms of Settlement were reviewed by Ms. Emmanuel.

¶ 9 Ms. Emmanuel referred to pertinent parts of the Settlement Hearing Book. She made the following submissions:

1. The Respondent has acknowledged that he “engage(ed) in conduct unbecoming or detrimental to the public interest, contrary to IDA By-law 29.1” (below).
2. The Dealer Member Disciplinary Sanctions Guidelines set out the general principles which help to determine which sanctions are reasonable in the circumstances. In particular, in this case, the “Main Concerns When Determining An Appropriate Penalty”, “Disciplinary Sanctions as Deterrence” and “Key Considerations When Determining Sanctions” set out important principles for determining the appropriate penalty.

¶ 10 The principles reviewed by Ms. Emmanuel are discussed in the “Decision” section, below. Many of the principles do not apply in this case but “the type of transactions, the number of transactions, the size of the transactions, the number of clients affected by the misconduct, (and) the length of time over which the misconduct took place” are the considerations which apply in this case as well as “the reputation of the Canadian Securities Industry as a whole”.

3. General deterrence which deters others from engaging in similar misconduct, protection of the integrity of the securities markets and prevention of a repetition of conduct of the type under consideration are important factors to be taken into account in determining the appropriate penalty.
4. The Dealer Member Disciplinary Sanction Guidelines contain, in Section 1.5, considerations relating to “*Securities Act* breach or breach of any related Provincial or Federal Legislation – Dealer Member Rule 29.1”. There are also “Recommended Sanctions” including a minimum fine of \$10,000, suspensions and re-writing CPH.
5. In the Respondent's favour, several of those Guidelines do not apply in that there was no loss to clients, the Respondent was not unjustly enriched, he did not attempt to conceal his conduct from the Dealer Member and he did not receive any financial benefit. There is also to be considered the fact that the Respondent has no previous disciplinary history with the IDA or IIROC.
6. Although there are significant factual differences in other cases, the following decisions provide assistance in determining the reasonable range of penalties:

Milewski (1999) IDACD No. 17; Bulletin No. 2605, August 5, 1999 (Ontario District Council) – failed to use due diligence to ensure recommendations for an RRSP account were appropriate, failed to ascertain directly from a client her investment objectives, and failed to make or keep a written authorization naming the client's husband - \$20,000 fine for three contraventions, disgorge \$1,650 in commissions, and pay costs of \$1,500, strict supervision for six months, and rewrite the CPH exam.

Higgs (2010) IIROC No. 3 (Pacific District Council) – failed to use due diligence to learn and remain informed of the essential facts relative to trading in the accounts (“gatekeeper” role), effected trades in clients' accounts based on instructions of a third party without an executed

trading authorization - global payment of \$40,000 comprising a fine and costs, suspension for fifteen months.

Freedman (2005) I.D.A.C.D. No. 37; Bulletin No. 3457, August 30, 2005 (Ontario District Council) – failed to make proper enquiries to ensure the issuance of shares to clients’ off-shore accounts complied with the *Securities Act*, failed to use due diligence to learn the essential facts relative to the clients and to ensure the acceptance of every order for their accounts within the bounds of good business practice - \$35,000 fine, three year suspension, rewrite the CPH exam and pay costs of \$15,000.

Trenholm (2009) IIROC No. 40 (the merits) and 2009 IIROC No. 52 (penalty) (Nova Scotia District Council) – failed to make diligent inquiries to ensure the legitimacy of the transactions and accepted trading instructions from a person not authorized in writing - \$15,000 fine, \$15,000 costs, suspension for three years, rewrite the CPH exam.

Ng (2007) I.D.A.C.D. No. 47 (Ontario District Council) – accepted trade orders for a stock in clients’ accounts thereby facilitating the manipulation of the stock, failed to exercise due diligence to learn and remain informed of the essential facts relative to his customers and their trade orders and accepted trading instructions from a person not authorized in writing - \$40,000 fine, \$25,000 costs, suspended for one year, rewrite and pass the CPH examination, close supervision for six months.

SUBMISSIONS OF THE RESPONDENT

¶ 11 The Respondent advised that he had nothing to add to the submissions made on behalf of IIROC.

DECISION

¶ 12 In the Settlement Agreement the Respondent admits to the contraventions of IIROC Rules, IDA By-Laws, Regulations or Policies set out at p. 5 above.

¶ 13 The Hearing Panel accepts that the contraventions have been established.

¶ 14 IDA By-Law No. 29 provides, in part:

BUSINESS CONDUCT

29.1 Members and each partner, director, officer, sales manager, branch manager, assistant or co-branch manager, registered representative, investment representative and employee of a Member (i) shall observe high standards of ethics and conduct in the transaction of their business, (ii) shall not engage in any business conduct or practice which is unbecoming or detrimental to the public interest, and (iii) shall be of such character and business repute and have such experience and training as is consistent with the standards described in clauses (i) and (ii) or as may be prescribed by the Board of Directors.

....

¶ 15 The IIROC Dealer Member Disciplinary Sanction Guidelines include the following:

GENERAL PRINCIPLES

The following principles and rules are proposed to provide a framework for assessing the gravity of a particular breach of the Dealer Member Rules, and help to determine which sanction(s) is reasonable in the circumstances.

1. Main Concerns When Determining An appropriate Penalty

As set out in *Re Derivative Services Inc.*, [2000] I.D.A.C.D. No. 26, at page 3, a Hearing Panel’s main concerns in determining an appropriate penalty are:

1. Protection of the investing public;

2. Protection of the Investment Industry Regulatory Organization's membership;
3. Protection of the integrity of the Investment Industry Regulatory Organization's process;
4. Protection of the integrity of the securities markets, and
5. Prevention of a repetition of conduct of the type under consideration.

The penalty imposed in a specific proceeding should reflect the Hearing Panel's assessment of the measures necessary in the specific case to accomplish these goals, ranging from a reprimand to an absolute bar, and may take into account the seriousness of the respondent's conduct and specific and general deterrence.

2. Disciplinary Sanctions As Deterrence

Registrants and Dealer Member firms have significant responsibilities that they must meet if investors are to be protected and market integrity maintained. Registrants who choose to act in ways that threaten the integrity of the capital markets must have the expectation that they will be held accountable through enforcement action by regulators. Sanctions should be based on the circumstances of the particular misconduct by a respondent with an aim at general deterrence.

General deterrence will follow from an appropriate decision and deter others from engaging in similar misconduct and improve overall business standards in the securities industry. This can be achieved if a sanction strikes an appropriate balance by addressing a registrant's specific misconduct, but also being in line with industry expectations. As was observed by the Hearing Panel in *Re Mills*, [2001] I.D.A.C.D. No. 7, April 17, 2001, at p. 3:

Industry expectations and understandings are particularly relevant to general deterrence. If a penalty is less than industry understandings would lead its Members to expect for the conduct under consideration, it may undermine the goals of the Association's disciplinary process; similarly, excessive penalties may reduce respect for the process and concomitantly diminish its deterrent effect. Thus the responsibility of the District Council in a penalty hearing is to determine a penalty appropriate to the conduct and respondent before it, reflecting that its primary purpose is prevention rather than punishment.

....

3. Key Considerations When Determining Sanctions

The following list of factors should be considered in conjunction with the imposition of sanctions. Individual guidelines may list additional factors. This list is illustrative, not exhaustive, and the Hearing Panel should consider case-specific factors in addition to those listed here and in the guidelines. Since sanctions should be tailored to address the misconduct involved in a particular case, a penalty must be proportionate to the gravity of the misconduct and the relative degree of responsibility of a respondent. To properly assess the gravity of specific misconduct, the decision-maker should look to a number of factors, including, but not restricted to the following:

3.1 Harm To Clients, Employer and/or the Securities Market

Actual harm can sometimes be quantified by considering the type of transactions, the number of transactions, the size of the transactions, the number of clients affected by the misconduct, the length of time over which the misconduct took place, and the size of the loss suffered by the client(s) or the Dealer Member firm. Harm can also be measured using less empirical, but more subjective factors, such asthe reputation of the Canadian securities industry as a whole.

....

3.5 Prior Disciplinary Record

The fact that a respondent has no prior disciplinary record should, in the absence of evidence to the contrary, lead a panel to a presumption that the respondent was of good moral character prior to the misconduct. A first conviction may be seen as a measure of punishment in and of itself, given the attendant stigma attached to the process of charging, finding of guilt, and imposition of sanction.

A good employment or internal discipline record should be a mitigating factor because it demonstrates responsibility and conformity to professional norms, which are the antithesis of the misconduct.

....

¶ 16 This case does not involve as egregious factors as those in many disciplinary cases. However, in applying the General Principles set out above the protection of the investing public, protection of the integrity of the IIROC process, protection of the integrity of the securities market, prevention of a repetition of conduct of the type under consideration, and general deterrence lead us to the conclusion that the penalties agreed upon between IIROC and the Respondent in the Settlement Agreement are appropriate and should be accepted. We adopt the reasoning of the Hearing Panel in *Milewski*, at p. 12:

....A District Council considering a settlement agreement will tend not to alter a penalty that it considers to be within a reasonable range, taking into account the settlement process and the fact that the parties have agreed. It will not reject a settlement unless it views the penalty as clearly falling outside a reasonable range of appropriateness.

¶ 17 The foregoing passage was also quoted with approval in *Higgs*.

¶ 18 The charge against the Respondent is that he “failed to properly perform his role as gatekeeper in the capital markets”. A helpful characterization of that role is found in *Trenholm* (IIROC No. 40, above) at p. 5:

26 Registrants must be sensitive to the “cardinal rule” in ensuring that registered representatives act as “gatekeepers” for the industry and this enhances the integrity of the capital markets. Gatekeeper obligations have been imposed by courts because registrants are in a unique position, and even better than regulators, to effectively monitor market activities and to apply their knowledge to spot any potential impropriety. *Re: Pacific International Securities Inc.*, 2006 BCSECCOM 532 at par. 330.

¶ 19 We recognize that there are mitigating factors in the Respondent’s favour, as Counsel for IIROC stated (above, pp. 6, 7), including that he has no prior disciplinary record with IDA or IIROC.

¶ 20 The Hearing Panel advised, at the conclusion of the Hearing, that we accepted, and we signed, the Settlement Agreement. We confirm that decision.

¶ 21 The Respondent, in the Settlement Agreement, agreed to the following terms of settlement, which we have accepted as appropriate:

- a) A Fine in the amount of \$27,500;
- b) The Respondent’s registration in all capacities shall be suspended for a period of one year from the effective date of the Settlement Agreement;
- c) As a condition of re-approval in any capacity, the Respondent shall successfully complete the Conduct and Practices Handbook examination; and
- d) As a condition of re-approval in any capacity, the Respondent shall be subject to a period of one year of strict supervision.

The Respondent shall pay a portion of Staff's costs of this proceeding in the amount of \$5,000.00.

(Counsel for IIROC advised that IIROC and Respondent have agreed that the Respondent would be given a prescribed period of time to pay the fine and costs.)

April 27, 2010

Alan V.M. Beattie, Chair

Kathleen Jost

William J. Welton

******* SETTLEMENT AGREEMENT *******

I. Introduction

1. The Enforcement Department Staff ("Staff") of the Investment Industry Regulatory Organization of Canada ("IIROC") has conducted an investigation ("the Investigation") into the conduct of *Ross Patrick Ewaniuk* ("the Respondent").
2. The Investigation was commenced by Enforcement Department Staff ("IDA Staff") of the Investment Dealers Association of Canada ("IDA") prior to May 30, 2008. On June 1, 2008, IIROC consolidated the regulatory and enforcement functions of the Investment Dealers Association of Canada and Market Regulation Services Inc. Pursuant to the *Administrative and Regulatory Services Agreement* between IDA and IIROC, effective June 1, 2008, the IDA has retained IIROC to provide services for IDA to carry out its regulatory functions.
3. The Investigation discloses matters for which the Respondent may be disciplined by a hearing panel appointed pursuant to IIROC Transitional Rule No.1, Schedule C.1, Part C ("the Hearing Panel").

II. Joint Settlement Recommendation

4. The Respondent consents to be subject to the jurisdiction of IIROC.
5. Staff and the Respondent consent and agree to the settlement of these matters by way of this settlement agreement ("the Settlement Agreement") in accordance with IIROC Dealer Member Rules 20.35 to 20.40, inclusive and Rule 15 of the Dealer Member Rules of Practice and Procedure.
6. The Settlement Agreement is subject to acceptance by the Hearing Panel.
7. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel.
8. The Settlement Agreement will be presented to the Hearing Panel at a hearing ("the Settlement Hearing") for approval. Following the conclusion of the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement.
9. If the Hearing Panel accepts the Settlement Agreement, the Respondent waives his right under IIROC rules and any applicable legislation to a disciplinary hearing, review or appeal.
10. If the Hearing Panel rejects the Settlement Agreement, Staff and the Respondent may enter into another settlement agreement; or Staff may proceed to a disciplinary hearing in relation to the matters disclosed in the Investigation.
11. The Settlement Agreement will become available to the public upon its acceptance by the Hearing

Panel.

12. Staff and the Respondent agree that if the Hearing Panel accepts the Settlement Agreement, they, or anyone on their behalf, will not make any public statements inconsistent with the Settlement Agreement.
13. Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement.

III. Statement of Facts

Acknowledgment

14. Staff and the Respondent agree with the facts set out in this Section III and acknowledge that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts.

Factual Background

(i) General

15. On March 10, 2006, the IDA received a letter dated February 15, 2006, from an anonymous complainant alleging that two other registrants of Northern Securities (NSI), and a third party, T.V., were involved in the illegal distribution of three (3) US Pink-sheet traded securities – Sure Trace Security Corporation (SSTY), Tango Incorporated (TNGO) and Victory Capital Holdings Corporation (VTYC).
16. Staff opened an investigation into the Respondent’s conduct on July 6, 2006 and interviewed him on two occasions in 2007.

(ii) Background of the Respondent

17. The Respondent has been duly registered and approved as follows:

Registration Issue Date	Registration Termination Date	Employer	Registration Category
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2001/08	2003/09	Leede Financial Markets	Registered Representative

18. On June 1, 2008, the Respondent became a regulated person of IIROC. The Respondent’s employment with NSI was terminated in December 2009.

Summary of Events

(i) The Securities

19. SSTY, TNGO and VTYC are all companies that were incorporated in the United States.
20. The Respondent was introduced to SSTY and TNGO by T.V. T.V. was a friend and client of the Respondent, and had held individual accounts and two corporate accounts at NSI since 2004.
21. At various times, T.V. had been the President and/or Director of both SSTY and TNGO. At all material times, the Respondent knew that T.V. was, or had been, an insider with SSTY and TNGO.

(ii) The Clients

22. Staff conducted a review of NSI client accounts and determined that the majority of trades during 2004 to 2006 in SSTY, TNGO and VTYC were conducted in the Respondent’s accounts; particularly the following five accounts (together, the “Relevant Accounts”):

- a) Client B.R.;

- Account opened in November 2004
 - B.R. was referred to the Respondent by T.V.
- b) Client S.R.;
- Accounts opened in October 2003
 - S.R. was referred to the Respondent by T.V.
- c) Client S.A. (# Alberta Ltd);
- Accounts opened in October 2005
 - Referred to the Respondent by S.R.
- d) Client G.F.; and
- Resident of British Columbia
 - Account opened in October 2003.
- e) The Respondent's corporate account, 796046 Alberta Ltd.
- Account opened in November 2003.
23. Between 2004 and 2006, numerous trades in SSTY, TNGO and VTYC were conducted in the Relevant Accounts.
24. Generally, the share certificates of SSTY, TNGO and/or VTYC received into the Relevant Accounts were issued directly from company treasury, were transferred from T.V. or were received from unidentified sources.
25. At all material times, NSI had a process for approving deposits of share certificates of OTCBB and Pink-sheets traded securities to retail accounts. However, in many instances, there is no record of NSI approval for shares received by the Relevant Accounts.
26. Furthermore, in most instances, there is no record of payment for the shares received into the Relevant Accounts.
27. In some instances, a Subscription Agreement was executed by the account holder in receipt of SSTY or TNGO shares. Generally, the Subscription Agreements included terms concerning and/or restricting the purchase, receipt and resale of the SSTY or TNGO shares.
28. As detailed below in paragraphs 29 to 33, the majority of SSTY, TNGO and/or VTYC shares received into the Relevant Accounts were sold into the market; some of the sales occurred within a short period of time after receipt of the shares.
29. With respect to B.R.:
- Between December 13, 2004 and May 26, 2005, B.R. received a total of 9,999,999 shares of SSTY in the form of three share certificates.
 - Between December 2004 and August 2005, all SSTY shares were sold from the B.R. account into the market.
30. With respect to S.R.:
- i. SSTY*
- Between September 2004 and June 2005, S.R. received a total of 11,586,666 shares of SSTY in the form of four share certificates.
 - On September 22, 2004, an additional 10,000 SSTY shares were purchased to the S.R. account.

- Between September 20, 2004 and August 3, 2005, all SSTY shares were sold from the S.R. account into the market.

ii. TNGO

- Between November 14 and 30, 2004, S.R. received a total of 7,000,000 shares of TNGO in the form of two share certificates.
- Between November 15, 2004 and March 23, 2005, 6,945,000 TNGO shares were sold from the S.R. account into the market.

iii. VTYC

- Pursuant to a Debenture Agreement with VTYC dated November 1, 2005, S.R. received 625,000 shares of VTYC in or around November 17, 2005.
- Between October 2, 2005 and January 24, 2006, an additional, 85,500 VTYC shares were purchased to the S.R. account.
- Between January 5, 2006 to April 12, 2006, 710,500 VTYC shares were sold from the S.R. account into the market.

31. With respect to S.A. (#Alberta Ltd.) and M.C.:

i. SSTY

- Between November 17, 2005 and January 19, 2006, S.A. (#Alberta Ltd.) received a total of 141,666,667 shares of SSTY in the form of three share certificates.
- Between October 27, 2005 and August 2006, 123,975,000 SSTY shares were sold from the S.A. (#Alberta Ltd.) account into the market.

ii. TNGO

- On December 2, 2005, S.A. (#Alberta Ltd.) received a total of 250,000 shares of TNGO from an unidentified source.
- Between November 10, 2005 and March 9, 2006, an additional 420,000,000 TNGO shares were purchased to the S.A. (#Alberta Ltd.) account.
- Between February 15, 2006 and July 21, 2006, approximately 550,000,000 TNGO shares were sold from the S.A.(#Alberta Ltd.) into the market.

32. With respect to G.F.:

i. SSTY

- Between September 2004 and May 2005, G.F. received a total of 9,419,999 shares of SSTY in the form of three share certificates.
- On August 20, 2004, an additional 20,000 shares of SSTY were purchased to the G.F. account.
- Between September 16, 2004 and July 29, 2005, approximately 9,000,000 SSTY shares were sold from the G.F. account into the market.

ii. TNGO

- Between June and July 2004, G.F. received a total of 12,566,666 shares of TNGO, in the form of three share certificates.
- Between April 15, 2005 and March 9, 2006, an additional 428,300 TNGO shares were purchased to the G.F. account.

- Between January 7, 2004 and April 18, 2005, approximately 7,600,000 TNGO shares were sold from the G.F. account into the market.

iii. VTYC

- Pursuant to a Debenture Agreement G.F. executed with VTYC dated November 1, 2005, G.F. received 625,000 shares of VTYC in or around November 17, 2005.
- On February 1, 2006, an additional 50,000 VTYC shares were purchased to the G.F. account.
- Between January 20, 2006 and May 18, 2006, all VTYC shares were sold from the G.F. account into the market.

33. With respect to the Respondent Corporate Account:

i. SSTY

- Between September 2004 and July 2005, the Respondent Corporate Account received a total of 35,150,001 shares of SSTY, in the form of ten share certificates.
- Between September 14, 2004 and October 5, 2005, an additional 250,000 shares of SSTY were purchased to the Respondent Corporate Account.
- Between October 1, 2004 and October 5, 2005, approximately 28,000,000 SSTY shares were sold from the Respondent Corporate Account into the market.

ii. TNGO

- Between February 2004 and May 2005, the Respondent Corporate Account received a total of 18,350,000 TNGO shares in the form of five share certificates.
- Between April 27, 2004 and June 16, 2005, an additional 1,300,409 TNGO shares were purchased to the Respondent Corporate Account.
- Between March 12, 2004 and September 28, 2005, 20,164,609 TNGO shares were sold from the Respondent Corporate Account into the market.

34. Most of the proceeds from the sales of the securities were withdrawn by the account holder shortly after the sale occurred.

(iii) Issues Concerning the Sale and Distribution of the Securities

35. At all material times T.V. was not registered to distribute and/or sell securities in Alberta and/or British Columbia.
36. At all material times SSTY, TNGO and VTYC were not eligible for distribution and sale in Alberta or British Columbia as they were not registered as reporting issuers, nor were there any filings for prospectus exemptions in either Alberta or British Columbia.

(iv) Inadequate Inquiries

37. The Respondent facilitated and participated in transactions involving SSTY, TNGO and/or VTYC in the Relevant Accounts without making adequate inquiries as to whether or not SSTY, TNGO and/or VTYC were eligible for distribution, purchase, or resale in to the market in accordance with the *Alberta Securities Act* and/or the *British Columbia Securities Act*.
38. In addition, the Respondent failed to:
- (i) review and ensure that B.R., S.A. (#Alberta Ltd.), G.F., and the Respondent Corporate Account complied with the terms of the SSTY Subscription Agreement;
 - (ii) review and ensure that the Respondent Corporate Account complied with the terms of the TNGO Subscription Agreement;

- (iii) make any, or any reasonable, inquiries of T.V., or any other source, regarding the basis of the ownership and authority for transfer of the SSTY shares transferred from T.V. and B.D.P. Ltd., to the Respondent Corporate Account; and
- (iv) make any, or any reasonable, inquiries of T.V., or any other source, regarding the basis of the ownership and authority for transfer of the TNGO shares transferred from T.V. to the Respondent Corporate Account.

(v) Other

39. The Respondent has no previous disciplinary history with the IDA or IIROC.

IV. Contraventions

40. The Respondent admits to the following contraventions of IIROC Rules, IDA By-Laws, Regulations or Policies:

Count 1

Between 2004 and 2006, while employed as a Registered Representative at Northern Securities Inc., the Respondent failed to properly perform his role as gatekeeper in the capital markets, by facilitating and participating in transactions involving SSTY, TNGO and/or VTYC (the Securities), in four (4) client accounts and the Respondent's corporate investment account, without making adequate inquiries as to whether or not:

- i) the Securities were eligible to be distributed by the seller and/or transferor;
- ii) the Securities were eligible for purchase or receipt by the clients and the Respondent's corporate investment account; and
- iii) the Securities were eligible for sale into the market,

in accordance with the Alberta *Securities Act* and/or the British Columbia *Securities Act*, thereby engaging in conduct unbecoming or detrimental to the public interest, contrary to IDA By-law 29.1.

VI. Terms of Settlement

- 41. The Respondent agrees to the following terms of settlement:
 - a) A Fine in the amount of \$27,500;
 - b) The Respondent's registration in all capacities shall be suspended for a period of one year from the effective date of the Settlement Agreement;
 - c) As a condition of re-approval in any capacity, the Respondent shall successfully complete the Conduct and Practices Handbook examination; and
 - d) As a condition to re-approval in any capacity, the Respondent shall be subject to a period of one year of strict supervision.
- 42. The Respondent shall pay a portion of Staff's costs of this proceeding in the amount of \$5,000.00.
- 43. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately upon the effective date of the Settlement Agreement.
- 44. Unless otherwise stated, any suspensions, bars, expulsions, restrictions or other terms of the Settlement Agreement shall commence on the effective date of the Settlement Agreement.

AGREED TO by the Respondent at the City of Calgary in the Province of Alberta, this 5th day of April, 2010.

“Witness signature”

Witness

“Ross Ewaniuk”

Respondent

AGREED TO by Staff at the City of Calgary in the province of Alberta, this 5th day of April, 2010.

“Witness signature”

Witness

“Faye Emmanuel”

Faye Emmanuel

Enforcement Counsel on behalf of Staff of the
Investment Industry Regulatory Organization of
Canada

ACCEPTED at the City of Calgary in the Province of Alberta ,
this 19th day of April , 2010 , by the following Hearing Panel:

Per: **“Alan Beattie”**

Panel Chair

Per: **“Kathleen Jost”**

Panel Member

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