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**BULLETIN # 3482**  
November 28, 2005

## Discipline

### Discipline Penalties Imposed on Darrell Donald Osadchuk; Violations of By-law 29.1

Person Disciplined	A Hearing Panel appointed pursuant to IDA By-law 20 has imposed discipline penalties on Darrell Donald Osadchuk, at all material times a Registered Representative employed by the Calgary office of Research Capital Corporation (“Research”) a Member of the IDA.
By-laws, Regulations, Policies Violated	<p>On November 20, 2005 the Hearing Panel considered, reviewed and accepted a Settlement Agreement negotiated between staff of the Enforcement Department of the Association and Mr. Osadchuk.</p> <p>Pursuant to the Settlement Agreement, Mr. Osadchuk admitted that during the period February 2001 to April 2002 he engaged in conduct unbecoming, contrary to Association By-law 29.1 by engaging in unauthorized trading in the accounts of two clients; and by issuing to those same clients false and misleading documents as to the holdings in their accounts.</p>
Penalty Assessed	<p>The discipline penalties assessed against Mr. Osadchuk are:</p> <ul style="list-style-type: none"><li>• Permanent prohibition from approval to act in any registered capacity with a Member of the Association;</li><li>• A fine in the amount of \$40,000</li></ul> <p>Mr. Osadchuk is also required to pay of \$10,000 towards the Association’s costs of the investigation and the prosecution.</p>
Summary of Facts	The investigation was initiated as a result of separate customer complaints from clients AG and RB pertaining to the handling of their accounts by Mr. Osadchuk. Both clients complained that Mr. Osadchuk had conducted trading in their accounts without their authorization.

### **Unauthorized Trading in the Account of AG:**

#### **Zeo-Tech Enviro Corp. (“Zeo-Tech”):**

AG had originally purchased 30,000 shares of Zeo-Tech through Mr. Osadchuk. An additional 6,000 shares were purchased in his account without his authorization. Mr. Osadchuk told the Association that he acted without authorization with respect to some of the trading because he had a comfort level with AG and was not out to hurt him.

#### **Tiberon Minerals (“Tiberon”):**

On March 5, 2001 AG authorized the purchase of 5,000 shares of Tiberon. The stock was sold in an unauthorized sale on March 9, 2001 at a profit. Because of the profit made, AG did not complain about the transaction. A subsequent purchase and sale of a further 5,000 shares of Tiberon on March 9 and 23, 2001, respectively, were unauthorized and resulted in a loss of approximately \$1,650. AG only became aware of the transactions when he received his account statement. Mr. Osadchuk told AG the trades had been mistakes made by Research but had resulted in a profit that AG could keep. Mr. Osadchuk told AG that any errors would be cleared up on his next statement. AG chose not to retain the profits but asked Mr. Osadchuk to set his account straight.

#### **Unauthorized Trading in Other Securities**

AG advised the Association that all trading in his account relating to Beau-Pre Exploration Limited, Global Entertainment Inc. and Niko Resources had been unauthorized. When AG called Mr. Osadchuk, he was told that trading in his account relating to these stocks was a mistake and should have happened in someone else's account.

#### **BakBone Software (“BakBone”):**

AG advised the Association that he had discussions with Mr. Osadchuk about selling his 1,000 BakBone shares for tax purposes and re-purchasing them after declaring a capital loss. AG told Mr. Osadchuk that he would think about the suggestion. The next day, the shares were sold without AG's authorization. Mr. Osadchuk told AG that the sale had occurred as a result of a mistake and 1,000 shares had been re-purchased for his account. AG understood from Mr. Osadchuk that his account held 1,000 shares of BakBone. In fact, the 1,000 shares were not replaced in AG's account until April 2002 when Research undertook to reverse the alleged unauthorized trading following AG's complaint. Mr. Osadchuk provided undertakings to the Association to check his notes and files for information to support his claims that trading had been authorized. Subsequently, he was not able to provide supporting documentation or further information.

### **False and Misleading Reporting:**

AG had a telephone discussion with Mr. Osadchuk regarding the holdings that were supposed to be in his account. A few days later, on December 10, 2001, Mr. Osadchuk provided AG with a document entitled “Portfolio Review”. The holdings reported on the “Portfolio Review” were consistent with what AG and Mr. Osadchuk had discussed

earlier and with what AG expected to be in his account. The holdings reported in the “Portfolio Review” did not accurately reflect his true account holdings.

Mr. Osadchuk agrees that the “Portfolio Review” document created by him was not a true reflection of AG’s holdings as at December 10, 2001.

When AG received his true account statement for December 2001, he realized that the account holdings were not as he had expected from the December 10 Portfolio Review. He advised the Association that when he asked Mr. Osadchuk about the discrepancy, he was told that there were mistakes in his account that would be corrected.

**Unauthorized Trading in the Account of RB:**

Zeo-Tech and Beau-Pre:

RB confirmed that he made an initial purchase of 30,000 shares of Zeo-Tech through Mr. Osadchuk. RB had no interest in making any further purchases in the Zeo-Tech stock. According to RB, any subsequent trading with the original 30,000 shares of Zeo-Tech in the account at Research was not authorized. Mr. Osadchuk suggested subsequent trading in Zeo-Tech was authorized and undertook to provide to the Association information to rebut the allegations made by RB that trading had been authorized. Subsequent to these undertakings, Mr. Osadchuk was not able to provide supporting documentation or further information.

**False and Misleading Reporting:**

RB advised the Association that based on discussions he had with Mr. Osadchuk, he requested confirmation of the holdings in his account. Mr. Osadchuk sent a statement by way of e-mail on October 29, 2001. Mr. Osadchuk agrees that the e-mail of October 29, 2001 created by him was not an accurate reflection of the client’s account holdings at the time. Mr. Osadchuk says that within a few days after October 29, 2001, he completed transactions to correct the client’s non-cash holdings to reflect those set forth in the October 29, 2001 e-mail. Neither RB nor AG sustained any financial losses as a result of the misconduct.

Mr. Osadchuk has not been registered with the Association since August 2002.

The Hearing Panel’s reasons will be posted on the Association’s web site when they become available.

Kenneth A. Nason  
*Association Secretary*