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Lorne Herlin
Enforcement Counsel
604-331-4752
lherlin@ida.ca

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Discipline

Discipline Penalties Imposed on David Wayne Gradidge; Violations of By-law 29.1

Person Disciplined A Hearing Panel appointed pursuant to IDA By-law 20 has imposed discipline penalties on David Wayne Gradidge (Gradidge), at all material times a registered representative employed by Scotia Capital Inc., a Member of the IDA.

By-laws,
Regulations,
Policies Violated Following a disciplinary hearing held on October 10, 2006, in Vancouver, BC, a Hearing Panel found that Gradidge violated By-law 29.1.

Pursuant to the Settlement Agreement, Gradidge admitted to the following violations of By-law 29.1.

- (i) in June 2000 he purchased real estate with his client G, without the knowledge, consent, or authorization of his Member employer;
- (ii) between August 2001 and March 2002 he loaned funds to his client G, knowledge, consent, or authorization of his Member employer;
- (iii) between July 2002 and August 2003 he commingled his personal funds with those of his client A and together they purchased not pro eligible securities in A's investment account;
- (iv) between March 2002 and June 2002 he loaned funds to his client R, knowledge, consent, or authorization of his Member employer; and
- (v) in March 2003 he sold real estate to his client R, without the

knowledge, consent, or authorization of his Member employer.

Penalty Assessed The following penalties were assessed against Gradidge:

- payment of a \$60,000 fine;
- disgorgement of the \$2,150 in commissions that he earned from the purchase and sale of the not pro eligible securities in the A ScotiaMcLeod Account;
- disgorgement of the \$3,100 in profits that were incurred from the purchase and sale of the not pro eligible securities in the A ScotiaMcLeod;
- payment of \$5,000 in costs;
- a requirement that he re-write and pass the Conduct and Practices Handbook examination within six months of the effective date of the Settlement Agreement;
- a requirement that he be under close supervision for a period of 12 months; and
- a requirement that he be prohibited from personally purchasing any new issue securities of any publicly traded corporation or income trust for a period of 24 months.

Summary of Facts **G's Investment Accounts**

Gradidge and G have been friends since around 1998. In February 2000, G opened a cash account and a margin account at the White Rock, British Columbia branch office of ScotiaMcLeod (collectively, the G ScotiaMcLeod Accounts).

At all material times Gradidge was the registered representative of record for the G ScotiaMcLeod Accounts.

Purchase of Property With G

In June 2000 Gradidge and G jointly purchased a property in Langley, British Columbia (the Langley Property).

Gradidge did not inform ScotiaMcLeod and ScotiaMcLeod was unaware that Gradidge and G had jointly purchased the Langley Property.

Between August 2001 and March 2002 funds were transferred between Gradidge and G, in particular:

- approximately \$45,800 was transferred from Gradidge to G, approximately \$35,300 of this amount was transferred into one of the G ScotiaMcLeod Accounts; and
- approximately \$8,660 was transferred from G to Gradidge (collectively, the G Transfers).

Gradidge and G advised, and the Association accepts that:

- the G Transfers represented loans and partial repayments of loans between Gradidge and G, some of which related to their joint purchase of the Langley Property; and
- Gradidge did not receive any funds from G as a result of any transactions in the G ScotiaMcLeod Accounts.

Gradidge did not inform ScotiaMcLeod and ScotiaMcLeod was unaware of the G Transfers and of Gradidge's personal financial dealings with G.

A's Investment Account

Gradidge and A have been in a personal relationship since 1997. In December 2001, A opened a margin account at the White Rock branch office of ScotiaMcLeod (the A ScotiaMcLeod Account).

At all material times Gradidge was the registered representative of record for the A ScotiaMcLeod Account.

Transfer of Funds Between Gradidge and A

Between July 2002 and August 2003 Gradidge commingled \$98,000 of his personal funds with A's funds in the A ScotiaMcLeod Account.

Gradidge did not inform ScotiaMcLeod and ScotiaMcLeod was unaware of Gradidge's personal financial interest in the A ScotiaMcLeod Account.

Transactions in the A ScotiaMcLeod Account

The A Transfers helped purchase three not pro eligible securities in the A ScotiaMcLeod Account. As a result of the purchase and sale of these three securities:

- Gradidge earned approximately \$2,150 in commissions; and
- Gradidge and A earned a profit of approximately \$3,100.

R's Investment Accounts

R was a friend of Gradidge. In December 2001, R opened a cash account and a margin account at the White Rock branch office of ScotiaMcLeod (the R ScotiaMcLeod Accounts).

At all material times Gradidge was the registered representative who was responsible for the R ScotiaMcLeod Accounts.

Transfer of Funds from Gradidge to R

Between March 2002 and June 2002 approximately \$67,000 was

transferred from Gradidge to R (the R Transfers), \$10,000 of this amount was transferred into the R ScotiaMcLeod Accounts.

Gradidge and R advised, and the Association accepts that:

- the R Transfers represented loans from Gradidge to R; and
- Gradidge did not receive any funds from R as a result of any transactions in the R ScotiaMcLeod Accounts.

Gradidge did not inform ScotiaMcLeod and ScotiaMcLeod was unaware of the R Transfers and Gradidge's personal financial dealings with R.

Sale of the Langley Property to R

On March 13, 2003, R and her former partner jointly bought the Langley Property from Gradidge. Gradidge did not inform ScotiaMcLeod and ScotiaMcLeod was not aware that Gradidge had sold the Langley Property to R.

The Hearing Panel's written reasons will be posted on the Association's website when they become available.

Kenneth A. Nason
Association Secretary