

Re Shep

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

DAVID FRANCIS SHEP

2010 IIROC 7

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

Heard: February 22, 2009
Decision: February 22, 2010
(15 paras.)

Hearing Panel:

Honourable John B. Webber, Q.C. (Chair)
David W. Kerr, Member
F. Michael Walsh, Member

Appearance:

Diana Iannetta and Milton Chan, Enforcement Counsel, for the Investment Industry Regulatory Organization of Canada
Peter-Paul E. DuVernet, for the Respondent David Francis Shep

DECISION AND REASONS

- ¶ 1 The Panel accepts the joint settlement recommendation of counsel, which was as follows:
- (a) a permanent ban from receiving registration approval in any capacity with any Dealer Member of IIROC; AND
 - (b) a global fine in the sum of \$80,000.
- ¶ 2 The Respondent also agreed to pay costs to IIROC in the sum of \$20,000.
- ¶ 3 The investigation by Enforcement Department Staff disclosed 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 Settlement Agreement contained the previous registration history of the Respondent, commencing in May 1981 and ending in May 2005, with Desjardins Securities Inc. The Respondent is currently not registered with a

Member firm.

¶ 4 The Respondent admits to the contraventions set forth in paragraph 68 of the Settlement Agreement, which read as follows:

1. Between on or about November 4, 2002, and May 4, 2005, the Respondent violated Association By-law 29.1 and engaged in conduct unbecoming or detrimental to the public by:
 - (a) Failing to disclose that he was actively and closely involved in the affairs of Second Stage Ventures Inc. (SSVT), subsequently called Dermisonics Inc. (Dermisonics), a Nevada company whose shares were traded on the National Association of Securities Dealers' Over-the-Counter Bulletin Board (OTCBB);
 - (b) Facilitating trading creating a misleading appearance of increased price and volume constituting manipulative and deceptive trading in SSVT/Dermisonics;

¶ 5 These activities and conduct in the operation of accounts of some six off-shore companies, as documented in the Settlement Agreement, clearly disclose activities and trading that was not proper. All of the activities documented in the Settlement Agreement indicated conduct that might be potentially illegal, manipulative, deceptive or an improper influencing of the price of SSVT shares. The off-shore companies that were involved were Second Stage Ventures Inc. and Dermisonics Inc., as well as Trygve Cinch Holdings, Noble Group and Noble Securities, Atar Corporation, and Staples Management Inc. The trading was done actively in the Respondent's own firm through the Desjardins Inventory Account. The Respondent facilitated trading of SSVT/Dermisonics through the Desjardins Inventory Account to influence and, in fact, did influence the price of SSVT.

¶ 6 The Respondent admits to the contraventions set forth in paragraph 68, which read as follows:

- (c) Providing account information to a person who was not authorized in writing to receive such information for an account in the name of Caledonia Corporate Management Group Ltd. (Caledonia); and
- (d) Failing to carry out his duties as gatekeeper and facilitating questionable activities in Caledonia's account.

¶ 7 This activity involved Caledonia Corporate Management Group Ltd. account, Argentex Shares, Cano Petroleum Shares and one individual, Eric Boehnke. Boehnke was formerly the president of Cano. Boehnke had no written trading or other authority for the Caledonia account at Desjardins. Caledonia received shares from Argentex and Cano. The Respondent provided Boehnke with information as to Caledonia's sale of the shares and transfers of money outside Canada. The Respondent did not insure that he was facilitating illicit activities.

¶ 8 Finally, the Respondent admits to the contravention set forth in paragraph 68.2, which reads as follows:

2. On or about April 20, 2006, the Respondent violated Association By-law 19.5 by answering questions untruthfully or incompletely that were asked by Association Staff investigators with respect to the extent of his involvement in SSVT/Dermisonics.

¶ 9 Notwithstanding that the Respondent was interviewed by IDA Enforcement Staff on April 20, 2006, he failed to disclose his entire involvement with SSVT/Dermisonics nor did he disclose his activities in this regard to his employer. The Settlement Agreement discloses a number of activities which were not disclosed to the IDA. First, the Respondent failed to disclose his efforts to facilitate trading to influence the price of shares. Second, he failed in his obligation as a gatekeeper to answer investigation questions truthfully or completely.

¶ 10 We are urged by counsel for Enforcement and for the Respondent that this is an agreement that should be accepted because it is in the public interest and is in the range of the appropriate sanctions to be imposed. The proposed sanctions, as set forth in paragraphs 69 to 72 of the Settlement Agreement, are submitted to be appropriate given the nature and the background of the activities of the Respondent.

¶ 11 We were referred to the Investment Dealers Association of Canada Disciplinary Sanction Guidelines, which assists panels in their consideration of the appropriate penalty to be imposed and, in particular, the use of a permanent ban from approval of membership. The sanction of a permanent ban from approval of an individual is a severe economic penalty. In addition, we were referred to section 5.1 of the guidelines which deals with the failure to cooperate pursuant to By-law 19.5 and 19.6. The failure to cooperate is a serious activity. A minimum fine of \$10,000 is suggested as well as immediate suspension.

¶ 12 The panel was referred to a decision involving Stephen Brook Toban, [2007] I.D.A.C.D. No. 9, dated November 17, 2006 as to an example of an appropriate penalty. In the *Toban* case, after a six-day hearing, the Respondent was permanently banned from approval by the Association. In addition, a fine of \$100,000 was imposed, together with payment to the Association of \$20,900 representing disgorgement of commissions, and a payment to the Association of \$25,000 for costs.

¶ 13 We had set a period of two weeks for the hearing of this matter. Therefore, it is important to note that the resolution by way of a settlement agreement saved considerable time and expense to all parties and, in particular, to the Enforcement Staff of the IDA including necessary preparation. As this is a long-standing matter, which commenced in early 2000 and ended in May 2005, it is our view that, under all of the circumstances, it is in the public interest to accept the proposed settlement. This panel had to consider the settlement agreement in the matter of Stephen Taub. In the reasons given in that decision, we referred to the words of the District Council in the decision of *Re Milewski*, [1999] I.D.A.C.D. No. 17, decided on July 28, 1999. It is appropriate to repeat the comments of the District Council at page 9, which are as follows:

Although a settlement agreement must be accepted by a District Council before it can become effective, the standards for acceptance are not identical to those applied by a District Council when making a penalty determination after a contested hearing. In a contested hearing, the District Council attempts to determine the correct penalty. 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. Put another way, the District Council will reflect the public interest benefits of the settlement process in its consideration of specific settlements.

¶ 14 The settlement agreed to is, in the Panel's opinion, reasonable as it includes the removal of the Respondent from industry. In addition, the imposition of a fine in the amount of \$80,000 is, in our considered view, not unreasonable.

¶ 15 In the result, we conclude the sanctions and costs imposed are significant reflecting our concern as to the possible damages and the losses arising from the trading described. We are satisfied that the Settlement Agreement is reasonable on its face.

Dated at Toronto, this 22nd day of February 2010.

The Honourable John B. Webber, Q.C., Chair

Mr. David W. Kerr, Member

Mr. Michael Walsh, Member

* * * * *

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 David Francis Shep ("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. 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.
5. The Settlement Agreement is subject to acceptance by the Hearing Panel.
6. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel.
7. 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.
8. 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.
9. 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. If the Hearing Panel rejects the Settlement Agreement, the Respondent shall be entitled to raise any and all defences.
10. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel.
11. 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.
12. Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement.

III. Statement of Facts

13. Staff and the Respondent agree, solely for the purposes of this Settlement Agreement, 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.

A. Respondent

14. At all material times, the Respondent was employed as a Registered Representative (RR) with the Toronto Branch of Desjardins Securities Inc. (Desjardins), an IDA/IROC Member. At all material times, the Respondent was also a trader and entered his own trade orders.
15. The Respondent's registration history is as follows:

Dominion Securities Ltd.	RR	May 19, 1981 - January 1984
Marton Mere Securities Ltd.	RR and Options Trader	January 1984 - July 1984
Loewen, Ondaatje, McCutcheon & Co. Ltd.	RR	July 1984-August 1984
Dean Witter Reynolds (Canada) Inc.	RR and Registered Options Representative (ROR)	August 1984-December 1984
Osler Inc.	RR and ROR	February 1985- January 1988
Davidson Partners Ltd.	RR	January 1988- September 1988
Midland Doherty Ltd.	RR	September 1988- November 1988
Canarim Investment Corp. Ltd.	RR and ROR	November 1988-August 1989
Deacon Morgan McEwen Easson Ltd.	RR and ROR	September 1989- May 1990
Jones' Gable & Company Ltd.	RR and ROR	May 1990- August 1994
Credifinance Securities Ltd.	RR	September 1994- February 1997
St. James Securities Inc.	RR	March 1997- October 1999
Thompson Kernaghan Ltd.	RR	November 1999- July 2002
Desjardins Securities Inc.	RR	July 2002- May 2005

(A) PARTICULARS IN RELATION TO CONTRAVENTION AT PARAGRAPH 1 (a) AND (b) AND PARAGRAPH 2

I. Background of Second Stage Ventures Inc. and Dermisonics Inc.

Incorporation, IPO and Directors and Officers

16. SSVT was incorporated in the state of Nevada in September 2000.
17. In or about September 2001, SSVT completed distribution of an Initial Public Offering (IPO) and became a public company. At the time of the IPO, SSVT was in the process of developing its business and had no material revenues from its operations.
18. By Fall, 2002, SSVT had become a public company. Until SSVT became a public company, Zennie Morris (Morris) was its only shareholder. Until July 2004, Morris was the President of SSVT. Blair Mills was SSVT's Secretary and Treasurer. Brad Rudover (Rudover) was one of SSVT's directors.
19. In July 2004, Bruce Haglund became SSVT's sole director.
20. At the time of the IPO, SSVT's asset was a wholly owned subsidiary called EasyTrivia.com which operated a trivia game website. Rudover was one of the creators of the website. In or about July 2004, SSVT sold EasyTrivia.com to Rudover.

New Assets into SSVT

21. In 2003 and 2004, SSVT sought to purchase assets from private companies to vend into SSVT. During this time period, SSVT explored asset purchase options involving, *inter alia*, the following companies: Nova Electric Systems Inc. (electric cycles and scooters), Valcor S.A. Nicaragua (timber operations and properties) and Encapsulation Systems Inc. (patent rights for transdermal patches).
22. In January 2004, SSVT signed a letter of intent regarding its intended investment in and merger with Nova Electric Systems Inc. (Nova). SSVT issued a press release on January 6, 2004, announcing this Letter of Intent. However, as all the terms of the Letter of Intent were not fulfilled, SSVT did not proceed with the investment in and merger with Nova.
23. In July 2004, SSVT organized a wholly owned subsidiary called Valcor Resources Inc. (Valcor) which purchased timber operations and properties owned by Valcor S.A. Nicaragua. SSVT made a filing with the U.S. Securities and Exchange Commission (SEC) regarding this acquisition on or about August 9, 2004.
24. In July 2004, SSVT also purchased patents from Encapsulation Systems Inc. for a non-invasive drug delivery system known as a transdermal patch. SSVT issued a press release regarding this acquisition on August 17, 2004.
25. As a result of this purchase, SSVT later changed its name to Dermisonics on October 14, 2004. Dermisonics continues to develop its interests in the transdermal patch. Dermisonics' shares continue to trade on the OTC BB.

II. Respondent's Involvement in SSVT/Dermisonics

26. The Respondent was interviewed by IDA Enforcement Staff on April 20, 2006.
27. He acknowledged his involvement in trading SSVT/Dermisonics stock for clients and inventory accounts. He also said that he had assisted in a business proposal that was presented to SSVT's Board of Directors (Board) relating to electric motors.
28. Later in the interview with IDA Staff investigators he explained that he was invited on one occasion to attend a meeting in New York City hosted by lawyers for SSVT/Dermisonics. He said that he had been invited to that meeting because of the number of clients he had who were shareholders of SSVT/Dermisonics.
29. The Respondent had additional contact with, or involvement in SSVT/Dermisonics in that he:
 - (a) arranged for the payment of fees to directors on SSVT's Board.
 - (b) communicated with Iris Paul (Paul) who provided secretarial services to SSVT/Dermisonics, and assisted Paul to schedule SSVT/Dermisonics Board meetings, to draft Board resolutions, in briefing SSVT/Dermisonics directors on issues, to re-register shares. He discussed draft press releases and filings with Paul. On one occasion he told Paul how he expected SSVT's Board to vote on the Valcor proposal.
 - (c) represented to people that he or his client group had acquired an OTC BB shell company (SSVT) and owned almost all of its stock.

- (d) participated in discussions with SSVT/Dermisonics lawyers relating to Valcor, received draft agreements and correspondence relating to Nova, and received information relating to SSVT's purchase of patents for the transdermal patch, all before public disclosure of these activities, although there was no trading before public disclosure.
 - (e) assisted in having audited financial statements prepared for an SSVT subsidiary in order to facilitate the Valcor purchase.
 - (f) assisted to retain a trustee for "large shareholders" of SSVT.
 - (g) made inquiries in order to have SSVT listed on an exchange in India.
30. The Respondent's involvement with SSVT/Dermisonics had not been disclosed to his employer and was not fully disclosed to the IDA.

III. Trygve Cinch Holdings

31. Trygve was incorporated in the Bahamas in August 2001. Trygve had two accounts at Desjardins for which the Respondent was the RR. Between April 2004 and October 2004, Trygve's accounts at Desjardins received 994,000 shares of SSVT or Dermisonics. These shares were traded for total proceeds of \$443,713 U.S.
32. Trygve also had an account at a branch of Research in Vancouver. The Respondent's former registered assistant was the RR for that account. Between April 25, 2005 and July 20, 2005, this account received 3,567,700 shares of Dermisonics and traded a portion of these shares for gross proceeds of \$1,655,490.35 U.S.

IV. Other Accounts Trading and/or Receiving SSVT/Dermisonics Shares

Noble Group and Noble Securities

33. Noble Group Ltd. (Noble Group) was incorporated in Belize in June 2003. Although Ian Sauder (Sauder) was the RR for Noble Group's Desjardins' account, Sauder agreed with the Respondent that he would receive commissions for any trading by this account in SSVT/Dermisonics shares.
34. In June and August 2004, Noble Group's Desjardins account received 16,000 shares of SSVT. These shares were sold into the market shortly after their receipt for total proceeds of \$25,729.39 U.S.
35. Noble Securities Holdings Ltd. (Noble Securities) was incorporated in British Virgin Islands in September 2004. The Respondent was the RR for Noble Securities' account at Desjardins. On October 27, 2004, Noble Securities' account received 1,175,000 shares of Dermisonics in its account at Desjardins.
36. On January 4, 2005, these shares were transferred to a Noble Securities' account at Golden Capital Securities Ltd., another Association Member. Between January 24, 2005, and May 5, 2005, this account purchased an additional 12,000 Dermisonics shares and sold 300,550 shares for gross proceeds of \$525,897 U.S.

37. Noble Group and Noble Securities' accounts were related in that Don Scholar, Mary Scholar and Ronald Kidd had trading authorization for Noble Group's account at Desjardins and they also held positions with Noble Securities: Don Scholar was a Director, Mary Scholar was an Investment Advisor and Ronald Kidd was Secretary/Director of Noble Securities.

Atar

38. Atar Corporation (Atar) was incorporated in Nevis in January 2001. The Respondent was the RR for Atar's account at Desjardins. On January 10, 2005, Atar received 540,000 shares of Dermisonics. As of May 4, 2005, these shares had not been traded on the market.

Staples

39. Staples Management Inc. (Staples) was incorporated in the Bahamas in January 2004. The Respondent was the RR for Staples' account at Desjardins. On January 10, 2005, 1, 100, 000 shares of Dermisonics were received by Staples' account at Desjardins. As of May 4, 2005, these shares had not been traded on the market.
40. Trygve and Staples are related in that:
- (a) Len Davies is the Director/Secretary of Trygve and Staples;
 - (b) Carolyn Caley is the Director/President of Staples and a director of Trygve;
 - (c) Flossie Curling is a director of both Staples and Trygve; and
 - (d) Trygve and Staples share the same business telephone number, the same financial institution telephone number and same bank account number.

Desjardins' Inventory Account

41. At all material times, the Respondent was also authorized to trade in one of Desjardins' inventory accounts ("the Desjardins' Inventory Account"). This account actively traded and held positions in SSVT/Dermisonics.

V. Accumulation of Large Position in SSVT/Dermisonics by Trygve, Staples, Noble Group, Noble Securities and Atar

42. SSVT's shares first started trading on the OTC BB on or about July 11, 2003.
43. In September 2001, following its IPO, SSVT's total issued shares was 6,000,000 shares. However, restrictions did not allow those shares to be traded until the summer 2003.
44. Two dividend share distributions then increased the number of total issued shares of SSVT/Dermisonics:
- (a) On or about December 29, 2003, a one for one distribution occurred; and
 - (b) On January 18, 2005, a ½ for one distribution occurred.

VI. Trading of SSVT/Dermisonics Shares

45. The Respondent facilitated trading of SSVT/Dermisonics in the Trygve accounts and the Desjardins' Inventory Account in a manner that created a false appearance of increased trading volume.
46. These transactions occurred on the following dates: January 27, 2004, February 11, 2004, February 13, 2004, February 19, 2004, April 1, 2004, April 5, 2004, October 12, 2004 and November 19, 2004.
47. These transactions involved either Trygve or the Desjardins' Inventory Account buying or selling SSVT shares, with various SSVT market makers and others as counterparties, which would then sometimes trade the positions amongst themselves, with the positions returned to either Trygve or the Desjardins' Inventory Account.

Influencing of the Price of SSVT Shares

48. From August 2004 to October 2004, the Respondent facilitated trades which attempted to, or did influence the price of SSVT.
49. On or about August 13, 2004, the Respondent facilitated trading in one of the Trygve accounts to uptick the price of SSVT shares which effected a closing price of \$2 per share.
50. At various times, between on or about August 13, 2004, and October 1, 2004, the Respondent facilitated trading in several accounts for which he was the RR, including the Trygve accounts and the Desjardins' Inventory Account, which had the effect of influencing SSVT's reported market price .
51. During this time period the Respondent's trading in SSVT shares accounted for a substantial part of the total reported trading volume.

(B) PARTICULARS IN RELATION TO CONTRAVENTION AT PARAGRAPH 1 (c) AND (d)

I. Caledonia Corporate Management Group Account

52. Caledonia, formerly Anglo Offshore Investments Ltd, was incorporated in the Bahamas in January 1999. At all material times, Caledonia was registered with the Securities Commission of the Bahamas as a Broker-Dealer Class II.
53. At all material times, Matthew McNeilly (McNeilly) was the managing director of Caledonia and Veronica Lightbourn was Caledonia's general manager.
54. Caledonia opened an account at Desjardins on or about November 12, 2003. The Respondent was the RR for the account.
55. The new client application form indicated that no one other than Caledonia had a financial interest in its trading account at Desjardins, the Respondent knew that the shares held in Caledonia's account were beneficially owned by, *inter alia*, Caledonia's brokerage clients.

II. Argentex Shares

56. At all material times, Argentex's shares were traded on the OTC BB. At all material times, Argentex's head office was located in Vancouver.
57. Between April 22, 2004, and April 27, 2004, Caledonia's account received 975,000 Argentex shares. This entire position was sold between April 27, 2004, and June 22, 2004, for total proceeds of \$ 1, 488,395 U.S.
58. The cash proceeds of these sales were wired to a Bahamian bank account in May and June 2004, almost immediately after the sales.

III. Cano Petroleum Shares

59. At all material times, Cano's shares were traded on the OTC BB.
60. Cano and Argentex shared the same office premises.
61. From on or about May 2003 to May 2004, Eric Boehnke (Boehnke) was the President of Huron Ventures/Cano. Boehnke resigned his position as President of Cano shortly after a merger by Cano with Davenport Acquisition Corporation, a wholly owned subsidiary of Davenport Field Unit Inc., a Texas corporation.
62. Shortly after Boehnke's resignation as President of Cano, Caledonia's account at Desjardins began to receive large quantities of Cano shares.
63. Between June 23, 2004 and August 13, 2004 Caledonia's account received 1, 250, 001 Cano shares. Within this same time period Caledonia's account sold 899,334 shares of Cano for total proceeds of \$ 3,708, 406 U.S.
64. \$ 1.7 million U.S., representing a portion of the cash proceeds from these sales, were wired to a U.S. attorney's escrow bank account in Texas on June 29, 2004, and June 30, 2004.
65. From April to August 2004, the only securities traded in the Caledonia account were Argentex and Cano shares, as described above.

IV. Respondent Provides Boehnke with Caledonia Account Information

66. Notwithstanding that Boehnke had no written trading or other authorization for Caledonia's account at Desjardins, the Respondent:
 - (c) provided Boehnke with information about, *inter alia*, Caledonia's sales of Argentex and Cano shares;
 - (d) provided Boehnke with information about cash transfers being wired from Caledonia's account to a bank in Texas; and
 - (e) was willing to take instructions from Boehnke to sell the Cano shares that had been deposited into Caledonia's account.

V. Respondent Failed in his Gatekeeper Duty

67. In all of the circumstances, including the fact that Boehnke had been the President of Cano, and the nature of the activity involving Argentex and Cano shares, the Respondent failed to exercise due diligence, with respect to the activities being carried out through the Caledonia account, to ensure that he was not facilitating illicit activities.

IV. CONTRAVENTIONS

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

1. Between on or about November 4, 2002, and May 4, 2005, the Respondent violated Association By-law 29.1 and engaged in conduct unbecoming or detrimental to the public by:
 - (a) Failing to disclose that he was actively and closely involved in the affairs of Second Stage Ventures Inc. (SSVT), subsequently called Dermisonics Inc. (Dermisonics), a Nevada company whose shares were traded on the National Association of Securities Dealers' Over-the-Counter Bulletin Board (OTC BB);
 - (b) Facilitating trading creating a misleading appearance of increased price and volume constituting manipulative and deceptive trading in SSVT/Dermisonics;
 - (c) Providing account information to a person who was not authorized in writing to receive such information for an account in the name of Caledonia Corporate Management Group Ltd. (Caledonia); and
 - (d) Failing to carry out his duties as gatekeeper and facilitating questionable activities in Caledonia's account.
2. On or about April 20, 2006, the Respondent violated Association By-law 19.5 by answering questions untruthfully or incompletely that were asked by Association Staff investigators with respect to the extent of his involvement in SSVT/Dermisonics.

V. Terms of Settlement

69. The Respondent agrees to the following terms of settlement:
- a) a permanent ban from receiving registration approval in any capacity with any Dealer Member of IIROC; and
 - b) a global fine in the sum of \$80,000.
70. The Respondent agrees to pay costs to IIROC in the sum of \$20,000.00.
71. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately upon the effective date of the Settlement Agreement.
72. 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 Toronto, in the Province of Ontario, this 11 day of February, 2010.

[original executed by]

WITNESS SIGNATURE

WITNESS

“**DAVID SHEP**”

DAVID FRANCIS SHEP

AGREED TO by Staff at the City of Toronto, in the Province of Ontario, this 10th day of February, 2010.

[original executed by]

WITNESS SIGNATURE

WITNESS

DIANA IANNETTA

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

ACCEPTED this 22 day of February, 2010, by the following Hearing Panel:

[original executed by]

Per: “John Webber”
Panel Chair

Per: “David Kerr”
Panel Member

Per: “Michael Walsh”
Panel Member

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