

2013 BCSECCOM 218

Settlement Agreement

0894563 B.C. Ltd. and Darwin James Hajime Okano

Securities Act, RSBC 1996, c. 418

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and 0894563 B. C. Ltd and Darwin James Hajime Okano agree as follows:

Agreed Statement of Facts

Background

1. Darwin James Hajime Okano (Okano) is a resident of British Columbia. He has been registered as a Dealing Representative since September 11, 2011. During that time, he has been under close supervision.
2. 0894563 B.C. Ltd (the Company) is a British Columbia Corporation, incorporated on November 3, 2010, and Okano is the sole director. The Company is not registered under the Act.
3. Armadillo is a Nevada corporation that claims to be a privately owned energy corporation that owns an oil lease in Oklahoma. Armadillo has never filed a prospectus, offering memorandum or exempt distribution report under the Act.

Illegal Trading and Distribution of Securities

4. The Company and Okano promoted and sold Armadillo Partnership Agreements (Partnership Agreement) to investors. Under a Partnership Agreement, an investor received title to a defined amount of crude oil from Armadillo's lease in Oklahoma. The quantity of oil would depend on the amount of money invested.
5. Armadillo would extract each month and sell to a refinery on the partner's behalf the amount of oil a partner purchased. The net proceeds would then, at the partner's election, be used to acquire title to an additional quantity of oil or were to be forwarded to the partner in the form of a production payment.
6. Armadillo distributed its securities in Canada through the Company, which received a 19% commission on the sale of each Partnership Agreement.
7. Between December 13, 2010 and April 12, 2011, Armadillo sold Partnership Agreements to at least twenty-six investors in British Columbia, who invested a total of approximately \$868,789.42.

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8. Okano directly solicited persons to invest in the Partnership Agreements, executed them on behalf of Armadillo as a “Sales Associate”, and received a Commission from the Company for each investment sold. Okano raised \$221,374.79 from BC residents, none of whom were exempt under the Act.
9. Okano received a commission of \$17,709.96 for the sale of the Partnership Agreements.
10. On July 29, 2011, the Ontario Securities Commission issued a Notice of Hearing and Temporary Cease Trade Order against Armadillo and others for alleged unregistered activity in Ontario.
11. By trading and distributing securities without being registered and without having filed a prospectus, the Company and Okano contravened sections 34 and 61 of the *Act*.

Factors

12. Okano has no prior regulatory history with the Commission.
13. Okano invested \$18,300USD and received back \$9,043.00USD in production payments.
14. In July 2012, Armadillo offered a right of rescission to its investors.

Public Interest

15. It is in the public interest that the Executive Director issue orders under section 161 of the Act.

Undertaking

16. Okano undertakes to pay \$27,709.96 to the Commission in respect of settlement of this matter.
17. Okano undertakes to wind up the Company within 6 months of the date of this agreement.

Order

¶ 2 The Executive Director will issue an order (the Order) that:

1. under section 161(1)(a) of the Act, that the Company and Okano comply fully with the Act, the Securities Rules, and any applicable regulations;

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2. under section 161(1)(d) of the Act, Okano is prohibited from becoming or acting as a director or officer, except that Okano may act as director or officer of a holding company into which commission from his work as a dealing representative is paid;
3. under section 161(1)(d)(v) of the Act, Okano is prohibited from purchasing or trading in securities, except that Okano may [purchase or trade securities:
 - (i) in the course of his employment with a dealer registered under the applicable securities legislation; and only with or to the clients of that dealer; or
 - (ii) through accounts in his own name with a person registered to trade in securities under the Act.
4. The prohibitions set out in paragraphs 2 and 3 remain in force until the later of 3 years from the date of the agreement and the date the amount described in the undertaking to pay is paid.

Consent to Regulatory Orders

- ¶ 3 The Company and Okano consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the sanctions set out in paragraph 2 above.

Waiver

- ¶ 4 The Company and Okano waive any right they may have, under the Act or otherwise, to a hearing, hearing and review, judicial review, or appeal related to, in connection with, or incidental to this settlement.

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Counterpart

¶ 5 This Settlement Agreement may be executed in counterpart or by facsimile execution and all such counterparts of executed copies or faxed copies shall be read or construed together as if they formed one originally executed document.

¶ 6 June 12, 2013

¶ 7 D. James Okano
0894563 B.C. Ltd.
(Signing Authority)

Mike Pesunti)

Witness Signature)

Mike Pesunti)

Witness Name (please print))

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701 West Georgia St. Vancouver BC)

Address)

Lead Investigator)

Occupation)

¶ 8 D. James Okano
Darwin James Hajime Okano

Mike Pesunti)

Witness Signature)

Mike Pesunti)

Witness Name (please print))

701 West Georgia St.)

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Vancouver BC)

Address)

Lead Investigator)

Occupation)

¶ 9 June 13, 2013

Paul C. Bouque

¶ 10 Paul C. Bourque, Q.C.
Executive Director