

Re Taggart

IN THE MATTER OF:

**The Dealer Member Rules of the Investment Industry Regulatory
Organization of Canada**

and

Glen Arthur Taggart

2015 IIROC 31

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

Heard: April 30, 2015 in Toronto, Ontario,

Decision: April 30, 2015

Hearing Panel:

Julia Dublin, Chair, Phillip Norris, Mary Savona

Appearance:

Natalija Popovic, Enforcement Counsel

Sarah O'Connor, for Glen Arthur Taggart

Glen Arthur Taggart, absent

REASONS FOR DECISION ON SETTLEMENT AGREEMENT

¶ 1 A Settlement Hearing to approve a Settlement Agreement entered into between IIROC and the Respondent (copy attached) was held on April 30, 2015. The Hearing Panel received and considered oral submissions from IIROC counsel and the Respondent's counsel, as well as the IIROC Book of Documents containing the Settlement Agreement, extracts from IIROC Rules and disciplinary sanctions guidelines and selected IIROC hearing panel decisions, and also reviewed a previous settlement agreement between the Respondent and IIROC dated May 8, 2013.

¶ 2 The contraventions of IIROC Dealer Member Rules agreed to by IIROC staff and the Respondent were:

- (a) From January 2009 to December 2013, the Respondent engaged in conduct unbecoming or detrimental to the public interest in that he engaged in unauthorized trading in the accounts of several clients, contrary to IIROC Dealer Member Rule 29.1.
- (b) From January 2009 to April 2012, the Respondent failed to ensure that recommendations that he made for several clients were suitable for them, contrary to IIROC Dealer Member Rule 1300.1 (q).
- (c) In July 2011, the Respondent engaged in conduct unbecoming or detrimental to the public interest in that he placed himself in a conflict of interest with a client, contrary to IIROC Dealer Member Rule 29.1.

- (d) Between July and September 2012 the Respondent engaged in conduct unbecoming or detrimental to the public interest in that he engaged in personal financial dealings with certain of his clients, contrary to IIROC Dealer Member Rule 29.1.

¶ 3 The sanctions agreed to in the settlement agreement were:

- (a) A permanent ban from registration with IIROC
- (b) A global fine in the amount of \$75,000 inclusive of disgorgement
- (c) Costs payable to IIROC of \$15,000

¶ 4 The facts are set out in paragraphs 8 to 74 of the Settlement Agreement. In summary, the Respondent first became a registered representative of an IIROC (then IDA) dealer member in 1999 and remained at the same office location under a series of dealer member proprietors until he was terminated for cause in 2013. The Respondent's conduct related to 12 client accounts all of which were opened around January 2009 to fund the clients' retirements, whether immediately or in the longer term. Between 2009 and 2012, in all but one case the clients experienced losses in their accounts. These varied from \$5000 to over \$100,000. Half the clients lost over \$40,000. The Respondent made a number of purchases in client accounts that were not managed accounts without client authorisation, in some cases exposing the clients to unexpected margin debt. New Client Application Forms and updates for eight clients were inconsistent with the investor objectives, risk tolerance and time horizon recorded in their Investor Profiling Questionnaires. The Respondent recommended unsuitably risky securities to all 12 clients, and reassured certain clients that he had personal knowledge of the business of the issuers. On some occasions the Respondent purchased the same securities for clients as he sold from his own account on the same day. The Respondent made personal contributions of shares to some clients' accounts in order to allay their concerns about the performance of their accounts. The Respondent received fees of \$23,500 from the three client accounts that were managed accounts and received minimal commissions on the other trades.

¶ 5 The mitigating (a) and (b) and aggravating (c) and (d) factors are set out in the Settlement Agreement. In summary, these are:

- (a) There is no evidence the Respondent engaged in the sanctioned conduct for his own profit.
- (b) The Respondent represents that he gave shares to clients to compensate them for losses in the accounts.
- (c) The Respondent has a discipline history with IIROC whereby he admitted in a May 2103 Settlement Agreement that he conducted discretionary trading in three client accounts.
- (d) The Respondent consistently emphasised the positive aspect of certain high risk securities sold to clients and did not refer to any downside risk.

¶ 6 The Panel's jurisdiction under IIROC Rule 20.36 is to accept or reject the proposed Settlement Agreement at the conclusion of the hearing. The Panel was cognisant of the IIROC disciplinary sanction guidelines and the principles cited in the panel decisions contained in IIROC staff's Book of Documents, as first articulated in *Re Milewski*, [1999] I.D.A.C.D. No. 17:

“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.”

¶ 7 The Panel applied these principles and accepted the Settlement Agreement. The Panel considered that a permanent bar was reasonably appropriate for the Respondent, given the course of conduct over a considerable period and the number of affected clients. The Panel considered that the amount of the fine and IIROC costs were also in an appropriate range, given the mitigating and exacerbating factors and the comparable IIROC disciplinary decisions cited in IIROC staff's Book of Documents.

Dated at Toronto, Ontario, this 11th day of September, 2015.

Julia Dublin, Chair

Phillip Norris

Mary Savona

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. IIROC Enforcement Staff ("Staff") and the Respondent, Glenn Arthur Taggart, ("the Respondent" or "Taggart") consent and agree to the settlement of this matter by way of this agreement (the "Settlement Agreement").
2. The Enforcement Department of IIROC has conducted an investigation ("the Investigation") into the conduct of Taggart.
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 jointly recommend that the Hearing Panel accept this Settlement Agreement.
5. The Respondent admits to the following contraventions of IIROC Dealer Member Rules, Guidelines, Regulations or Policies:

Count 1 From January 2009 to December 2013, the Respondent engaged in conduct unbecoming or detrimental to the public interest in that he engaged in unauthorized trading in the accounts of several clients, contrary to IIROC Dealer Member Rule 29.1.

Count 2 From January 2009 to April 2012, the Respondent failed to ensure that recommendations that he made for several clients were suitable for them, contrary to IIROC Dealer Member Rule 1300.1 (q).

Count 3 In July 2011, the Respondent engaged in conduct unbecoming or detrimental to the public interest in that he placed himself in a conflict of interest with a client, contrary to IIROC Dealer Member Rule 29.1.

Count 4 Between July and September 2012 the Respondent engaged in conduct unbecoming or detrimental to the public interest in that he engaged in personal financial dealings with certain of his clients, contrary to IIROC Dealer Member Rule 29.1.

6. Staff and the Respondent agree to the following terms of settlement:
 - a) A permanent ban from registration with IIROC; and
 - b) A global fine in the amount of \$75,000 inclusive of disgorgement;
7. The Respondent agrees to pay costs to IIROC in the sum of \$15,000.

III. STATEMENT OF FACTS

(i) Acknowledgment

8. 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.

(ii) Factual Background

A. Overview

9. Glenn Arthur Taggart executed numerous trades in the accounts of 12 clients without their authorization. In the vast majority of cases, the clients only learned that trades had taken place after the fact. Approximately eight of the Clients held managed accounts with Taggart for at least a portion of the relevant time.

10. Further, Taggart recommended a series of five securities for the 12 clients that were unsuitable for them based on their personal circumstances and factors including the particular client's financial situation, investment knowledge, investment objectives, and risk tolerance.

11. In the case of one of the 12 clients, Taggart placed himself in a conflict of interest when he purchased shares of a certain security for this client's accounts on the same day that he sold shares of the same security in his own personal accounts.

12. In the case of three of the 12 clients, and one additional client, Taggart engaged in personal financial dealings with these clients when he gave them certificates for shares of one of the five securities in question, for which these clients did not pay.

B. Registration History

13. Taggart was registered with IIROC, and its predecessor the IDA, with four Dealer Member firms from 1999 until his employment was terminated for cause in 2013, as summarized below:

Firm	Dates	Registration
Dundee Securities Corporation & successor, DWM Securities (Dundee)	August 1999- December 2010	Registered Representative Associate Portfolio Manager Portfolio Manager Branch Manager
Wellington West Capital Inc. (WWCI)	December 2010- October 2011	Registered Representative
National Bank Financial Ltd. (NBF)	October 2011- April 2012	Registered Representative
Burgeonvest Bick Securities Limited (BBSL)	April 2012- December 2013	Registered Representative

14. Throughout the period of his registration with each of the four firms listed above, Taggart's office was physically located at the same street address and in the same office building. Taggart has not been registered with IIROC since December 2013.

C. Taggart's Clients

15. The following individuals were Taggart’s clients from at least January 2009 to December 2012 (the “Clients”). In each case the purpose of the accounts opened by Taggart for the Clients was to fund their current or future retirements.

	Client	DOB	Employment
(i)	FS	1928	Retired Bricklayer
(ii)	RH	1936	Retired Office Administrator
(iii)	DH	1947	Retired Factory Dispatcher
(iv)	IH	1958	Claims Administrator
(v)	RCH (spouse of IH)	1957	General Manager Construction
(vi)	IW	1975	Educator ESL
(vii)	CW (spouse of IW)	1968	Training Program Developer
(viii)	LM	1961	Lawyer
(ix)	<u>BK</u>	<u>1945</u>	<u>Retired Foreman</u>
(x)	<u>RV</u>	<u>1970</u>	<u>Part Time Accounting Clerk</u>
(xi)	<u>NP</u>	<u>1934</u>	<u>Retired Plant Floor Supervisor</u>
(xii)	<u>GP (spouse of NP)</u>	<u>1930</u>	<u>Retired Assembly Worker</u>

D. Taggart Engaged in Unauthorized Trading

16. In the case of each of the Clients, the vast majority of the trades executed in their accounts were not authorized by the Clients, who did not learn of the trades until after the fact. Examples are described in paragraphs 17-19 below.
17. In particular, in the case of Taggart’s clients IW and CW, on two occasions Taggart purchased securities without their authorization which triggered shortfalls in their accounts. IW and CW did not learn about the purchases until after the fact when Taggart’s assistant called advising that they were required to deposit further funds to cover debit positions in the accounts. IW and CW were surprised and upset at having to deposit funds to pay for purchases that they were not aware had taken place.
18. On February 14, 2011, Taggart purchased 3000 shares of Biosign Technologies Inc. for a value of approximately \$5700 in IW and CW’s joint margin account without their authorization. On February 22, 2011 Taggart transferred these shares to CW’s RSP account. As a result Taggart created a fully unsecured debit of \$1180 in the joint margin account.
19. On August 20 & 21, 2012 Taggart purchased a total of 20,000 shares of Mahdia Gold Corp., for a value of approximately \$5200 without IW or CW’s authorization. Specifically, he purchased 10,000 shares for each of IW and CW’s respective TFSA accounts. As a result Taggart created a debit position of approximately \$1250 in each of these accounts. In both cases IW and CW provided further funds to cover the debit positions.

E. Taggart Executed Unsuitable Transactions

I. New Client Application Form Information Not Accurate

20. Upon initially meeting his Clients, Taggart asked them to complete an Investor Profiling Questionnaire

(the “Questionnaire”). He used the results of the Questionnaire to help determine the Clients’ investor profiles, including investment objectives, risk tolerance, and time horizon; and to assess their goals and attitudes concerning investments prior to opening accounts for them.

21. The results of the Questionnaire for eight of the 12 Clients indicated that these Clients had traditional or growth oriented profiles. This was an indication that at between 40-60% of their holdings should have been in fixed income products, with 35-55% in equities, and 5% in cash.
22. Between 2009 and 2013 Taggart completed several New Client Application Forms (“NCAFs”), and various updates to these forms, for the Clients. However, the NCAFs and/or updates did not reflect the profiles for the Clients that were generated by the Questionnaire that Taggart requested they complete.
23. Further, the investment objectives and risk tolerances on the Clients’ NCAFs and related updates did not reflect the Clients’ true investor profiles. Specifically, the asset allocations were too aggressive and too risky for the Clients. In most cases the Clients’ accounts were allocated to between 80-100% aggressive or speculative investments with a high risk tolerance of between 50-100%.
24. Taggart did not discuss the meaning or significance of investment objectives or risk tolerance with the Clients at the time of completing the NCAFs and updates. When the Clients transferred their accounts to BBSL their risk tolerance was addressed with several of the Clients at that time.
25. By April 2012 when the Clients completed NCAFs with Taggart at BBSL, all of the NCAFs indicated that the Clients had “good” investment knowledge. None of the NCAFs indicated anything less than a 430-60% higher risk tolerance, and all Clients’ investment objectives were no less than 20% moderate risk growth oriented securities (and as high as 670%) and no less than 430% higher risk speculative securities growth (and as high as 80%).

II. Taggart Recommended and Purchased Unsuitable Investments for Clients

26. Over the course of 2009 to 2013, Taggart purchased several of the same securities (collectively the “Securities”) in the accounts of the Clients, as detailed below. During this time period, Taggart held shares of some or all of the Securities in his personal accounts.
 - Mahdia Gold Corp (“Mahdia Gold”)
 - Visual Vault Corp. (“Visual Vault” formerly Manuweb Software Systems Inc. “Manuweb”)
 - Northcore Technologies Inc. (“Northcore”)
 - Biosign Technologies Inc. (“Biosign”)
 - Entertainment Media Corp.
27. The Securities were considered high risk and had some or all of the following common characteristics, including:
 - the issuers had a limited operational history;
 - the issuers had an uncertain future viability;
 - the issuers were in the early stages of product development;
 - the shares had a lack of liquidity;
 - the issuers had a lack of information available to the public;
 - the shares were listed on junior exchanges

- the shares were small cap stocks; and
 - the shares were rated as high risk by Dundee at the time of purchase.
28. Taggart repeatedly emphasized the positive aspects of the Securities to the Clients. However he did not explain, or adequately explain, the accompanying risks of investing in the Securities.
29. In the case of RH and LM, who were at times displeased with the performance of, and/or losses in their accounts, on several occasions Taggart reassured them about their investments and recommended that they not sell certain of the Securities even when they asked him to do so.
30. In particular, in relation to Northcore, Mahdia Gold and Biosign, Taggart at various times gave RH and LM several assurances about these companies, including that he:
- knew some of the CEOs personally;
 - personally had money invested in Northcore, as had his family members;
 - could not sell shares of Northcore because Dundee was promoting the stock;
 - had access to confidential information about Mahdia Gold; and
 - was working behind the scenes with Northcore and Biosign.
31. Investments in the Securities were not suitable for the Clients given the high risk nature of the Securities and the Clients' particular personal circumstances and true investor profiles, as detailed below.

III. Personal Circumstances of Clients

(i) Client FS

32. Prior to opening an account with Taggart in 2003 FS's investment holdings included only GICs and mutual funds. He invested the vast majority of his net worth with Taggart consisting primarily of a profit sharing payout from his employer which he received in lieu of a pension at retirement after working for 38 years as a Bricklayer.
33. FS relied on his investments with Taggart to generate income to fund his retirement. FS was an 81 year old widower in 2009. He had significant health issues including difficulty with mobility.
34. Among several accounts, Taggart opened a margin account for FS. FS was not aware at the time of how margin worked or that he had opened a margin account. However, FS did not want to incur any debt and was distressed to ultimately find out that he had margin debt, which totaled approximately \$65,000 in February 2009.

(ii) Client RH

35. RH had been a client of Taggart's since 1998. RH became a widower in the spring of 2012. He had spent the three preceding years preoccupied with his wife's health issues, including travelling abroad for her medical treatments in 2009. In addition, RH had several personal health issues throughout 2009-2012 including undergoing heart surgery. He was 73 years of age in 2009.
36. RH had a personal friendship with Taggart, and although he had some previous investment experience with mutual funds and GICs, he relied on his investments with Taggart to generate income to fund his retirement as he had no pension. On several occasions, RH made withdrawals of funds from his investments to meet ongoing living expenses. RH had the vast majority of his net worth invested with Taggart.

(iii) Client DH

37. DH had no investment holdings prior to opening an account with Taggart in 2006, other than RSPs. DH invested the vast majority of his net worth with Taggart, consisting primarily of the commuted value of a company pension that he received upon retirement after 38 years in a steel production plant.
 38. DH had significant health issues and had experienced financial hardship as a result of a divorce, wherein his RSP investments were transferred to his ex-wife. DH was 62 years of age in 2009, and on occasion he required withdrawals of funds from his investments for ongoing living expenses.
 39. DH did not understand, and Taggart did not explain, the meaning of investment objectives and risk tolerance. DH trusted and believed that Taggart would take care of DH and his current wife, and that Taggart would look after their money and not lose it.
 40. Taggart did not explain the high risk or speculative nature of DH's investments. On occasion, DH asked Taggart to sell holdings that were not doing well, and to purchase T-Bills in their place. However Taggart failed to so; rather he reassured DH and encouraged him to hold his positions.
- (iv) Client IH
41. Prior to opening an account with Taggart in 2009, IH's investment holdings included only mutual funds. She was at that time 51 years of age. She invested the vast majority of her net worth with Taggart consisting primarily of an inheritance that included a portfolio of conservative blue chip investments. IH had no company pension plan and relied on her investments with Taggart to generate income to fund her retirement.
- (v) Client RCH
42. Prior to opening an account with Taggart in 2009, at which time he was 52 years of age, RCH's investment holdings included only mutual funds. He invested the vast majority of his net worth with Taggart consisting primarily of investments transferred in from accounts formerly held at other institutions.
 43. RCH had an employment arrangement whereby his employer would match certain contributions that RCH made to his own investment account. RCH trusted Taggart to manage the combined contributions in his accounts in order to fund his retirement. On occasion RCH required withdrawals of funds from his investments to meet ongoing living expenses.
- (vi) Client IW
44. Prior to opening an account with Taggart in 2007 IW's investment holdings included only mutual funds held in RSPs. Though IW was 34 years of age in 2009, the purpose of the investments with Taggart was to fund her ultimate retirement as she had no pension plan. She trusted Taggart to grow her investments as she had few liquid assets, had significant liabilities and was raising a young family.
- (vii) Client CW
45. Prior to opening an account with Taggart in 2007 CW's investment holdings included only mutual funds held in RSPs. Although CW was 41 years of age in 2009, the purpose of the investments with Taggart was to fund his ultimate retirement. CW had a small company pension from a former employer, however he trusted and relied on Taggart to grow his investments as he had few liquid assets, had significant liabilities, and was raising a young family together with IW.
- (viii) Client LM
46. Prior to opening an account with Taggart in 2008 LM's investment holdings included only mutual funds held in RSPs. LM was 48 years of age in 2009. She invested the vast majority of her net worth with Taggart, consisting predominantly of the proceeds from a divorce settlement.

47. LM had experienced financial hardship as a result of failed partnership in an unsuccessful law practice, as well as a divorce prior to opening her accounts with Taggart. LM was self-employed with no pension plan, and required her investments with Taggart to fund her ultimate retirement.

48. Taggart reassured her that she had a lot of time to grow her investment and LM understood Taggart would safeguard her investment first and foremost because she did not have money to put at risk.

(ix) Client BK

49. BK opened an account with Taggart in 2002. BK's only prior investment experience was with mutual funds in his RSP and Canada Savings Bonds bought through his employer. BK retired in 2004 at the age of 57. He invested the vast majority of his net worth with Taggart, which consisted of the proceeds of his profit sharing payout after working for 37 years in a steel mill.

50. BK trusted Taggart with his investments and advised him that his spouse did not have an income, that he had three children to support through university, and that he needed to make monthly withdrawals for ongoing living expenses. Accordingly, BK did not want to take any chances with his portfolio beyond a maximum of 20% high risk investments. However, by 2010 Taggart noted BK's risk tolerance as 100% high risk on his NCAF. This did not accurately reflect BK's true investor profile or the information that he gave to Taggart.

(x) Client RV

51. In 2004 Taggart's client RV became widowed at the age of 34 with two young children aged six and eight. As Taggart and her late husband had been friends, she trusted Taggart with investing the vast majority of her net worth which consisted primarily of the proceeds of her husband's life insurance.

52. She advised Taggart that she wanted safe and secure investments and no risk as she was solely responsible for raising her two young children. She also informed him that she needed to make regular withdrawals from her account for living expenses. Though RV had only one year of previous investment experience, and was concerned because of investment losses, prior to opening an account with Taggart in 2008. Taggart indicated on her NCAF that she had "good" investment experience and risk tolerances of 80% medium and 20% aggressive /high risk. An update to her NCAF in 2010 reflected risk tolerances of 50% medium and 50% high risk. However this was not a true reflection of her investor profile.

53. In 2011 RV asked Taggart to secure the net value of her portfolio of approximately \$700K to safeguard it for the future. Rather than doing so, he instead convinced her that he could grow the portfolio to \$1 million. By 2012, however, the value of the portfolio was approximately \$400K.

54. Taggart rarely if ever contacted RV prior to completing purchases or sales of securities. In the case of 45,000 shares of Visual Vault deposited in her account in August 2012, she was not aware of this deposit, nor had she ever seen the certificate evidencing the shares prior to 2015.

(xi) Clients NP & GP

55. Taggart's clients NP and GP are a married couple who were retired in 2000 aged 66 and 70, respectively, when they opened accounts with Taggart. The only investments that they had made prior to 2000 were purchases of Canada Savings Bonds through their employers. Taggart indicated their investment knowledge as "good" on their joint account NCAF and their risk tolerance as 60% medium and 40% high; however this was not a true reflection of their investor profiles as they had told Taggart they did not want any risky or aggressive investments.

56. NP invested her pension of approximately \$150K with Taggart, and at his recommendation GP and NP took out a loan of approximately \$80K to invest with him. In 2003 Taggart updated their joint account NCAF to reflect 50% medium and 50% high risk tolerances. This update, however, was not a true

reflection of their investor profiles and was inconsistent with the determination that NP and GP were “traditional” investors according to the results of their Questionnaire.

57. NP and GP trusted Taggart and followed his recommendations for all of the investments in their accounts. They were generally not aware of the trading in their accounts until after the fact when they received confirmation slips. By late 2013 Taggart calculated that GP & NP had overall net market losses in their portfolio with him in excess of approximately \$150K.
58. In addition, for his Clients FS and IH Taggart made purchases of Mahdia Gold and Northcore; however these purchases were not authorized by these Clients. Subsequently within a few weeks, and in one case within eight days, Taggart sold shares of the same securities in his own personal accounts but did not recommend or sell these securities for these Clients’ accounts.

Date	Taggart’s Purchases for Clients	Taggart’s Sales in his Personal Accounts
2010		
September 15	FS-- 50,000 shares of Mahdia Gold for a value of approximately \$11,500.	
September 23		52,000 shares of Mahdia Gold for a value of approximately \$10,900.
2011		
July 4	IH- 50,000 shares of Northcore for a value of approximately \$17,500	
July 29		14,600 shares of Northcore for a value of approximately \$5000
October 3	IH-100,000 shares of Northcore for a value of approximately \$18,000.	
October 24-25		600,000 shares of Northcore for a value of approximately \$89,900.

IV. Compliance Concerns re Taggart & Clients’ Accounts

59. Taggart’s Clients’ accounts were the subject of numerous inquiries from his firms’ compliance department. In particular, Taggart received at least 30 compliance inquiries in relation to several of his Clients’ accounts and the Securities, prior to the transfer to BBSL.
60. In most cases, in response to the compliance inquiries, Taggart updated the Clients’ NCAFs to reflect the trading that had already taken place in the accounts.

F. Taggart Placed Himself in a Conflict of Interest

61. Taggart placed himself in a conflict of interest when he purchased shares of Visual Vault for his Client IH, and on the same day sold shares of the same issuer in his own personal accounts.
62. In particular, on July 29th, 2011 Taggart purchased 150,000 shares of Manuweb (subsequently Visual

Vault) for a value of approximately \$15,000 in IH's accounts. This purchase was not authorized by IH. On the same day, Taggart sold 50,000 shares of the same security, for a value of approximately \$5000 in his own personal accounts.

G. Taggart Engaged in Personal Financial Dealings with Clients

63. On several occasions, Taggart engaged in personal financial dealings with three of his Clients, and one additional client, in that he delivered share certificates for shares of one of the Securities, namely Visual Vault, at no cost to them. He appears to have delivered these share certificates to the three Clients because they were unhappy with the performance of the investments in their accounts.

RH

64. In the case of RH, Taggart advised that he was assigning and or transferring shares to RH. Using a securities transfer form dated July 9th, 2012 a limited company based in Trinidad, "sold, assigned and transferred" for "value received" 50,000 shares of Visual Vault registered in the name of the limited company to RH.
65. RH subsequently received a share certificate dated July 18, 2012 from Taggart for 50,000 shares of Visual Vault. RH did not pay for the shares.

LM

66. In the case of LM, in an email dated July 26, 2012 Taggart reassured LM that due to losses in her accounts, he would give her a share certificate with a value of approximately \$22,000. LM subsequently received a physical share certificate from Taggart for Visual Vault dated August 20, 2012 in the amount of 45,000 shares.
67. By letter dated August 20, 2012 two directors of Visual Vault had authorized the issuance from treasury of 45,000 shares to LM via a share certificate. In the letter of authorization the directors certified that the company had received "full consideration" and that the shares were "fully paid" for. However, LM did not pay for the shares after she received them from Taggart.

DH

68. In the case of DH, he understood from Taggart that cash would be deposited into his TFSA account by Taggart as a monetary "gift". DH understood from Taggart that he would receive this monetary gift because one of the companies whose shares DH held was being taken over by another company.
69. By letter dated August 20, 2012 two directors of Visual Vault authorized the issuance from treasury of 30,000 shares to DH via a share certificate. In the letter of authorization the directors certified that the company had received "full consideration" and that the shares were "fully paid" for. However, DH did not pay for the shares after he received them from Taggart.
70. On September 5, 2012, 30,000 shares of Visual Vault were transferred into DH's TFSA account with a book value of \$12,000. DH was surprised and upset to learn of this transfer as he had understood from Taggart that he would be receiving cash in this account. By month end September 2012, the market value of the shares was \$6000.

Taggart's Assistant

71. Taggart had worked with the same administrative assistant, CK, for approximately 10 years and she was also his client. Using a securities transfer form dated July 9th, 2012 the same limited company, sold, assigned and transferred for "value received" 20,000 shares of Visual Vault registered in the name of the limited company, to Taggart's assistant.

72. Subsequently, as an annual employment bonus, Taggart gave his assistant a share certificate dated July 18, 2012, for 20,000 shares of Visual Vault. Taggart's assistant did not pay for the shares.

H. Clients' Losses and Fees Earned by Taggart

73. As a result of Taggart's conduct, between January 2009 to December 2013 in all but one case, the Clients experienced overall net losses in their accounts ranging from just over five thousand dollars to in excess of \$100,000. Half of the Clients lost in excess of \$40,000.

74. Over the period from January 2009 to January 2011, Taggart earned approximately \$23,500 in fees from the managed accounts for clients FS, RCH and DH. Taggart otherwise received minimal commissions for the balance of the transactions.

IV. MITIGATING AND AGGRAVATING FACTORS

Mitigating

- There is no evidence to show that Taggart engaged in the above noted activities for the purposes of his own profit.
- Taggart represents that he gave his clients shares of Visual Vault to compensate them for losses they had sustained in their accounts.

Aggravating

- Taggart has a discipline history with IIROC in that in a May 2013 Settlement Agreement he admitted to having conducted discretionary trading in three client accounts.
- Taggart consistently emphasized the positive aspects of the Securities to the Clients and not any of the downside risk.

V. TERMS OF SETTLEMENT

77. This settlement is agreed upon 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.

78. The Settlement Agreement is subject to acceptance by the Hearing Panel.

79. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel.

80. 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.

81. If the Hearing Panel accepts the Settlement Agreement, the Respondent waives his/her/its right under IIROC rules and any applicable legislation to a disciplinary hearing, review or appeal.

82. 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.

83. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel.

84. 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.

85. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable

immediately upon the effective date of the Settlement Agreement.

86. 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 27th day of April, 2015.

“Witness”

“Glenn Arthur Taggart”

Witness

Glenn Arthur Taggart

AGREED TO by Staff at the City of Toronto, in the Province of Ontario, this 29th day of April, 2015.

“Witness”

“Natalija Popvic”

Witness

Natalija Popovic

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

ACCEPTED at the City of Toronto in the Province of Ontario, this 30th day of April, 2015, by the following Hearing Panel:

Per: “Julia Dublin”

Panel Chair

Per: “Phillip Norris”

Panel Member

Per: “Mary Savona”

Panel Member

Copyright © 2015 Investment Industry Regulatory Organization of Canada. All Rights Reserved