Re Garrod

IN THE MATTER OF:

The Dealer Member Rules of the Investment Industry Regulatory Organization of Canada (IIROC)

and

The By-Laws of the Investment Dealers Association of Canada (IDA)

and

Douglas Ralph Garrod

2011 IIROC 71

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

Hearing: November 1, 2011
Decision: December 20, 2011
(12 paras.)

Hearing Panel:
Thomas R. Braidwood, Q.C., Mike Johnson, Chris Lay
Appearances:
Barbara Lohmann, Senior Enforcement Counsel, Investment Industry Regulatory Organization of Canada
Shayne Strukoff, Gowling Lafleur Henderson LLP, for the Respondent

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DECISION AND REASONS

¶ 1 This is an application by the IIROC Enforcement Staff and the respondent, Douglas Ralph Garrod, to confirm a Settlement Agreement made between them.

¶ 2 Paragraph 7 of the Settlement Agreement reads as follows:

> "7. The Respondent admits to the following contraventions of IIROC Rules, Guidelines, IDA By-Laws, Regulations or Policies:
>
> a) Between October 2005, and June 2006, Douglas Ralph Garrod ("Garrod"), Ultimate Designated Person ("UDP") and president of Global Securities Corporation ("Global"), failed to reasonably supervise Carol Zosiak ("Zosiak") and John Brighten ("Brighten"), as described herein, with respect to two client accounts to ensure that Zosiak performed sufficient due diligence with respect to the beneficial owners of these two accounts and the trading therein, contrary to IDA By-Laws 29.27 and 38, Regulation 1300.2(a) and Policy 2."

¶ 3 The facts agreed to and confirmed, of course, by the investigation staff of IIROC are contained in the Settlement Agreement.

¶ 4 For convenience, we now refer to and attach as Exhibit "A" to these Reasons this Settlement Agreement.

¶ 5 After listening to the submissions of counsel, and studying the Settlement Agreement, the following facts and circumstances stand out in assessing the conduct of Mr. Garrod:

(a) In reviewing Mr. Garrod's conduct, the standard is one of reasonableness, not perfection. Further, a person's conduct is viewed in the context of the facts that existed at the time the alleged infractions occurred, and not using hindsight.

(b) In the present case, the nature of the contravention is essentially a failure to reasonably supervise a broker to ensure that the latter performs sufficient due diligence with respect to the beneficial ownership of two accounts and the trading therein.

¶ 6 Mr. Garrod has a long and unblemished history in the securities industry. He does not have any disciplinary record. Prior to joining in late 1999, Mr. Garrod was a securities lawyer in Vancouver, BC. His employment background included working at the Office of the Superintendant of Brokers, the predecessor to the British Columbia Securities Commission. He also previously served as Vice-President of Listings at the Vancouver Stock Exchange.

¶ 7 Mr. Garrod was not responsible for day-to-day trading supervision. His role in respect of accepting OTCBB and Pink Sheet certificates was of a senior level of review. He had established procedures at Global to deal with OTCBC and Pink Sheet stocks.

¶ 8 The nature of the contravention is that Mr. Garrod failed to take certain steps, as opposed to a situation where he knowingly engaged in improper conduct. Stated another way, the claim relates to inadvertence as opposed to an intentional disregard for requirements.

¶ 9 Montague Securities International was a regulated entity under Bahamian securities laws, and had a separate account with Global since the year 2000. ES and OB were the individuals behind the company. They represented to Global that they were the beneficial owners of the two accounts in question, and Mr. Garrod erroneously believed that to be the case. Global clients, Montague, OB and ES were not indicted or charged as co-conspirators under the U.S. indictment.

¶ 10 In sum, this is essentially a situation where Mr. Garrod allegedly failed to uncover the truth about the beneficial ownership of the accounts in question and the trading therein, and is not a situation where he permitted trading irrespective of the truth. There is no suggestion that he was a participant or complicit in any wrong-doing. Further, there is no suggestion that there were any compliance lapses with respect to any other OTCBB accounts or with the procedures implemented at Global in respect thereof.

¶ 11 We have reviewed the penalties and considered the range of penalties imposed in previous cases. In all of the circumstances, we confirm the Settlement Agreement.

DECISION

¶ 12 Accordingly, we confirm the following penalty:

(a) a fine in the amount of $65,000.00; and

(b) payment of costs to IIROC in the amount of $5,000.00.

Dated: December 20th , 2011

Thomas R. Braidwood, Q.C.

Mike Johnson

Chris Lay

EXHIBIT "A" - TO DECISIONS AND REASON

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. IIROC Enforcement Staff and the Respondent, Douglas Ralph Garrod (Respondent) consent and agree to the settlement of this matter by way of this settlement agreement ("the Settlement Agreement").

2. The Enforcement Department of IIROC has conducted an investigation ("the Investigation") into the conduct of Douglas Ralph Garrod.

3. 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.

4. The Respondent consents to be subject to the jurisdiction of IIROC.

5. 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

6. Staff and the Respondent jointly recommend that the Hearing Panel accept this Settlement Agreement.

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

   a) Between October 2005 and June 2006, Douglas Ralph Garrod ("Garrod"), Ultimate Designated Person ("UDP") and president of Global Securities Corporation ("Global"), failed to reasonably supervise Carol Zosiak ("Zosiak") and John Brighten ("Brighten"), as described herein, with respect to two client accounts to ensure that Zosiak performed sufficient due diligence with respect to the beneficial owners of these two accounts and the trading therein, contrary to IDA By-laws 29.27 and 38, Regulation 1300.2(a) and Policy 2.

8. Staff and the Respondent agrees to the following terms of settlement:

   a) a fine in the amount of $65,000

9. The Respondent agrees to pay costs to IIROC in the amount of $5,000.

III. STATEMENT OF FACTS

(i) Acknowledgment

10. 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

OVERVIEW

11. In March 2005, Zosiak, a Registered Representative ("RR") at Global, took over the account of Montaque Securities International ("Montaque"), a Bahamian corporation, from an RR who had left Global. The individuals behind Montaque, a regulated entity under Bahamian securities laws were ES and OB.

12. In October 2005, Zosiak became the RR for two new Bahamian corporate accounts, Laureate's Way Inc. ("Laureate") and Walcott Indies, Ltd. ("Walcott"). While Laureate and Walcott were opened by ES and OB, the actual beneficial owner(s) of these two accounts was a party(ies) other than ES and/or OB, contrary to representations made by ES and/or OB to Global at the time the two accounts were opened. During the Relevant Period, Garrod erroneously believed that only ES and OB were the actual beneficial owners of the two accounts.

13. Between October 2005 and June 2006 (the "Relevant Period"), share certificates representing a total of

over 6.6 million shares of an OTCBB Pink Sheets issuer, GTX Global Corporation ("GTX") were deposited to the Laureate and Walcott accounts. During the same period these two accounts traded almost exclusively in GTX and Global wired over $25 million from these two accounts to Montaque's bank account in the Bahamas. This transactional activity was ultimately found in the United States to be a part of a complex securities fraud and international money laundering scheme.

14. Garrod established procedures at Global to deal with OTCBB and Pink Sheet stocks. While he expressed concerns regarding certain issues about GTX in certain news releases and the quantity of GTX shares being sold, he did not take steps to ensure that his concerns were fully alleviated or to stop the sales of GTX stock through Global. Any outside inquiries that he made were near the end or substantially after the trading of GTX stock at Global ended.

THE RESPONDENT

15. Garrod was at all material times the UDP and president of Global. Brighten was at all material times, Global's Chief Compliance Officer ("CCO") and Garrod was Brighten's immediate supervisor. At all material times, Garrod generally was actively involved in Global's regulatory and compliance matters, although Brighten was responsible for day to day account supervision.

16. Garrod does not have a disciplinary history. Prior to joining Global in late 1999, Garrod was a Vancouver securities lawyer. His employment background included working at the BC Office of Superintendent of Brokers, the predecessor to the BC Securities Commission. He also previously served as Vice-President of Listings at the Vancouver Stock Exchange.

US INDICTMENT AND CONVICTION OF HAGEN

17. On December 17, 2008 David A. Hagen ("Hagen") was indicted and convicted on May 15, 2009 by the United States District Court for the Western District of North Carolina Charlotte Division for securities fraud, conspiracy to commit mail/wire fraud and conspiracy to commit money laundering. Hagen was sentenced to 540 months imprisonment. The indictment stated, amongst other things, that beginning in or about April 2003 and continuing through to in or about October 2006, Hagen together with others, conspired to fraudulently manipulate the stock prices of various publically traded companies, including GTX. The indictment stated that various named individuals sought to conceal their ownership of the shares they owned in these companies, including GTX. The indictment stated further that two corporations bearing identical corporate names to Walcott and Laureate had been incorporated under the laws of Anguilla approximately seven months prior to the incorporation dates of both Walcott and Laureate. The indictment further stated that the Anguillan corporations were both controlled by Hagen, together with other co-conspirators.

18. The matters referred to in the indictment involved the Laureate and Walcott accounts at Global, large quantities of GTX shares sold from these accounts and monies wired from the Laureate and Walcott accounts to a bank account in Montaque's name maintained in the Bahamas.

19. Montaque, OB and ES were not indicted or charged as co-conspirators under the indictment.

THE ACCOUNTS

MONTAQUE

20. On or about March 21, 2005, Zosiak became the RR for the Montaque account after the previous RR responsible for the account left Global. The account had been open since 2000. The New Account Application Form ("NAAF") dated March 21, 2005 for Montaque contains the following information:

- Business: Investment firm
- Address: PO Box N8303, Frederick House, 3rd Floor, Frederick Street, Nassau, Bahamas;
- Telephone 242-356-6133;

- Bank reference: [An account at the main branch of a bank in the Bahamas];
- Is this a nominee account? If Yes, provide the name & address of beneficial owner. Response: No.

21. The New Account Beneficial Ownership Notice ("NABON") for Montaque was signed by OB. OB indicated he was the president of Montaque, that he was a Bahamian citizen and is a financial advisor at Montaque. The document also indicated that OB was the only individual that beneficially owned more than 10% of the shares of Montaque.

22. ES was disclosed in the Montaque NAAF as a director of Montaque and as its Chief Operating Officer.

LAUREATE

23. Laureate was incorporated in the Bahamas on September 26, 2005 and on or about October 20, 2005, a new account was opened for Laureate for which Zosiak was the responsible RR. The NAAF for Laureate recorded the following:

- Address: 4th Floor, Centerville House, 2nd Terrace, PO Box N-8303, Nassau, Bahamas;
- Telephone 242-356-6133;
- E-mail info@montaquegroup.com;
- Bank reference: [An account at the main branch of a bank in the Bahamas];
- Investment objectives 50% Short term trading, 50% Speculative Investments;
- Account Risk Factors 100% high;
- Estimated total net worth $5mm;
- Approximate total income from all sources $1mm;
- Is this a nominee account? If yes, provide name and address of beneficial owner: Response: No;
- Do you singularly or as part of a group control more than 10% of the votes of a publically traded issuer? Response No;

24. Brighten was the Global senior officer who approved the opening of the Laureate account. He recorded "Open – no trading until Doc's complete" on its NAAF.

25. ES was listed as the president of Laureate and OB was listed as an authorized agent for that company.

26. OB signed a NABON dated October 7, 2005 in which he declared that he was the only individual that beneficially owned more than 10% of Laureate.

27. On November 1, 2005, Ron Ng ("Ng"), Global's manager of new accounts and registration e-mailed Zosiak advising her that with respect to the Laureate account, three documents remained outstanding, including a notarized or original Certificate of Incumbency. Garrod was Ng's immediate supervisor, and supervised him on an exception basis.

28. In a letter dated November 28, 2005 addressed to Zosiak, ES, on behalf of Laureate enclosed a Certificate of Incumbency for Laureate. That Certificate indicated that ES was Laureate's President and that OB was an Authorized Signatory. The Certificate also indicated that Lucaya Management Nominees Ltd. ("Lucaya") was Director of Laureate and that Lucaya was the beneficial shareholder of Laureate, which information was inconsistent with the information indicated in Laureate's NAAF. This inconsistent information was not picked up at the time by any Global employee.

29. The email address provided for Laureate on its NAAF was shown as Montaque's email address. Further, the bank account for Laureate was shown as the same as Montaque's Bahamian bank account.

WALCOTT

30. Walcott was incorporated in the Bahamas on September 26, 2005 and on or about October 20, 2005 a new account was opened at Global for Walcott for which Zosiak was the responsible RR. The NAAF for Walcott recorded the same information as the Laureate NAAF for Walcott's address, telephone number, e-mail address, investment objectives, account risk factors, net worth, income and Bahamian bank account. The Walcott NAAF also stated:

    - Is this a nominee account? If yes, provide name & address of beneficial owner: Response "No";
    - Do you singularly or as part of a group control more than 10% of the votes of a publically traded issuer? Response No;

31. Brighten was the Global senior officer who approved the opening of the account. He recorded "Open – No trading until doc's complete" on Walcott's NAAF.

32. ES was listed as Walcott's President and OB was listed as an authorized agent of that company.

33. ES signed a NABON dated October 7, 2005 in which he declared that he was the only individual who beneficially owned more than 10% of Walcott.

34. On November 1, 2005, Ng e-mailed Zosiak advising her that with respect to the Walcott account, three documents remained outstanding, including a notarized or original Certificate of Incumbency.

35. In a letter dated November 28, 2005 addressed to Zosiak, ES, on behalf of Walcott enclosed the Certificate of Incumbency for Walcott. That certificate indicated that ES was the President and OB was an authorized signatory. The certificate indicated further that the beneficial shareholder of Walcott was Lucaya, which information was inconsistent with the information indicated in Walcott's NAAF. This inconsistent information was not picked up at the time by any Global employee.

36. As with the Laureate NAAF, the email address and Bahamian bank account provided for Walcott were the same at Montaque's.

THE SECURITY - GTX

37. Future Projects III was incorporated in 1997. In July 2000 that company changed its name to AutoLeaseCheck.Com, Inc. AutoLeaseCheck.Com, Inc. purchased the assets of Gatelinx Corporation in December 2004 and changed its corporate name to Gatelinx Global Corporation ("Gatelinx"). GTX engaged in a "reverse merger" with Gatelinx, then a publicly - traded shell company, in late September 2005, shortly after GTX's incorporation.

38. GTX trading was quoted on the Pink Sheets. However, in or about December 2005, the Pink Sheets discontinued tracking GTX share prices.

39. The Pink Sheets are daily printed listings containing quotations and trading transactions for thousands of over-the-counter stocks that are not listed on any of the major stock markets. These quotations and transactions are entered by US securities dealers acting as market makers in the individual securities quoted on the Pink Sheets.

40. On November 14 and 15, 2005 Stocklemon.com posted articles about GTX which reference Hagen, Stocklemon's suspected relationship between Hagen and GTX and Hagen's past criminal history.

41. On November 15, 2005, GTX issued a news release responding to the Stocklemon.com articles calling the articles defamatory and threatening legal action against Stocklemon.com. The GTX news release stated that Hagen had resigned from Gatelinx in early 2005 for the good of the company prior to the reverse merger with GTX.

GTX ACCOUNT ACTIVITY

42. The Laureate and Walcott accounts were the only accounts at Global that traded GTX shares. These

trades were all unsolicited.

43. During the Relevant Period, activity in the Laureate and Walcott accounts was almost exclusively in GTX.

44. During the Relevant Period, physical share certificates for the following quantities of GTX shares were delivered into the Laureate and Walcott accounts:

Number of GTX Shares Deposited at Global

	Laureate	Walcott	Total
October 2005	300,000	300,000	600,000
November 2005	704,792	0	704,792
December 2005	300,000	600,000	900,000
January 2006	0	0	0
February 2006	600,000	300,000	900,000
March 2006	300,000	0	300,000
April 2006	1,000,000	1,104,792	2,104,792
May 2006	593,500	593,500	1,187,000
Total	3,798,292	2,898,292	6,696,584

45. Some of the GTX share certificates received by Global, representing at least 1.7 million GTX shares, were dated April 29, 2005 notwithstanding that both Walcott and Laureate were only incorporated on September 26, 2005.

46. The NAAFs for Laureate and Walcott each stated that neither account singularly or as part of a control group control more than 10% of the votes of a publically traded issuer. A GTX Issuer Information and Disclosure Statement dated October 12, 2005 ("October Filer"), which Global received, stated that no party was known to beneficially own more than 5% of the outstanding GTX shares. A GTX Information Filer dated April 6, 2006 ("April Info Filer"), which Global received, stated that the Hagen Trust was the only shareholder holding more than 5% of outstanding GTX shares. The two Filers were prepared by GTX pursuant to the requirements of SEC Rule 15c2-11.

47. Collectively, since the end of December 2005, Walcott and Laureate deposited more than 5% of the outstanding shares of GTX at Global. By the end of February 2006, 9.97% of GTX outstanding shares had been deposited at Global. That number increased to 10.93% and 16.92% at the end of March and April 2006 respectively.

48. The April Info Filer stated that in 2005, 2,000,000 shares were issued through a private placement and prior to 2004, 2,000,000 private placement shares were issued. Yet, during the Relevant Period, total of over 6.6 million GTX shares were delivered to the Laureate and Walcott accounts.

Procedure for Receipt of OTCBB Share Certificates

Legal Opinion Letters

49. Global had policies and procedures in place regarding the receipt of Bulletin Board and Pink Sheet share certificates. Each share certificate required a package ("Package") to be prepared by the responsible RR for an account proposing to deliver in Bulletin Board or Pink Sheet share certificates. Each Package included a legal opinion, trading information on the issuer and recent news releases about the issuer. These Packages were put together by Zosiak and forwarded by her to Brighten for his approval. When Brighten approved a Package, he would forward it to Garrod for his approval. Only after Brighten and Garrod approved a Package would the shares covered by the Package be eligible for sale by the client.

50. Each GTX share certificate that was delivered to Zosiak was accompanied by a legal opinion letter. There were a total of eight separate legal opinion letters delivered to Global during the Relevant Period. They were signed "[ECO]" ("ECO"), General Counsel for GTX Global Corp., formerly Auto Lease Check". With one exception, none of the letters was on any corporate or law firm letterhead. Each legal opinion letter contained the exact wording of the sample language set out in a sample opinion forming part of Global's Bulletin Board and Pink Sheet certificate policies and procedures (discussed later herein), including the quotation marks around the body of the letter.

51. The October Filer, which Global received, indicated that ECO was counsel for GTX. ECO's address was shown in the October Filer as being the same address as GTX's principal executive office in Nevada. The April Filer stated that the contact for GTX Investor Relations was ECO and that his contact information was at GTX's principal executive office in North Carolina. The April Filer stated that ECO was also the interim President, General Counsel and a Director of GTX.

52. Only the December 1, 2005 legal opinion letter was on GTX letterhead. That letter was addressed to Zosiak and indicated GTX's address to be the Nevada office. There was no phone number. Further, that letter appeared to be faxed from a North Carolina fax number. The wording of the letter was substantially the same as the other opinion letters although were no quotation marks around the body of the letter.

53. The ECO legal opinion letters indicated that GTX shares had been validly issued to Laureate and Walcott as follows:

Shares Issued to Laureate and Walcott per Opinion Letters

Opinion Letter Dates	Laureate	Walcott	Running Total
October 17, 2005	100,000	100,000	200,000
October 20, 2005	-	1,204,792	1,404,792
October 20, 2005	1,304,792	-	2,709,584
December 1, 2005	-	500,000	3,209,584
December 21, 2005	1,387,000	-	4,596,584
April 12, 2006	500,000	-	5,096,584
April 26, 2006	1,000,000	-	6,096,584
April 26, 2006	-	1,000,000	7,096,584
Total	**4,291,792**	**2,804,792**	**7,096,584**

54. The number of GTX shares issued to Laureate and Walcott as evidenced by the legal opinion letters indicates that by the end of December 2005 those accounts collectively were issued 14.76% of issued GTX issued shares and 16.92% by the end of April 2006. Of that, 16.92%, Laureate was issued 10.23%.

DUE DILIGENCE

55. On November 6, 2005, Zosiak sent Garrod an e-mail indicating that when she became the RR for Montaque, she performed due diligence on OB and that he seemed to be quite reputable. She felt comfortable in her relationship with the client and would report any doubts or concerns to Global management.

56. Garrod replied on November 7, 2005:

> Thanks for your note. The fact is that Montaque is a dealer, and I gather that it acts, in some

circumstances, as an offshore conduit for some unscrupulous clients. So it's not so much [OB] that might be the problem, but Montaque's clients. I suggest you talk to [OB] about how he tries to protect himself and Montaque from those types of miscreants. By the way the relevance of this to Global is that a client may complain to Montaque about a trade or some funds, and that ultimately involves Global. Thanks.

News Releases

57. Zosiak forwarded the November 15, 2005 GTX press release referred to in paragraph 41 above to Garrod stating the release "came out moments ago." Garrod replied stating "Oh it's the 'let's sue to make them back off trick'. If it smells, it smells…" Zosiak replied "Oh I know what you're saying..I'm just updating you on what came out.. I put a call into the attorney so you know."

58. Later that same day, Zosiak sent two further e-mails to Garrod asking Garrod for "any suggestions". Zosiak advised Garrod that the GTX phones and the website were operational and that she attempted to contact the lawyer hired for GTX. She also said she spoke with ES who advised that "this paper is all private placement paper, so it is filed in an 8k so it's public and filed with sec." She further stated that ES advised her that he saw GTX's product, knew the company's president and others within the company, he felt it was a real company and he had no reason to believe otherwise.

59. On May 22, 2006 Zosiak e-mailed Garrod asking him to approve another GTX Package. The next day an e-mail exchange ensued between Zosiak and Garrod in which Zosiak confirmed that she had not spoken to GTX about the stocklemon.com articles. Garrod expressed his view that the company should be contacted.

60. On May 24, 2006 Garrod had a telephone conversation with ECO, after which he sent an email to Zosiak indicating he had just spoken with him about the GTX/Stocklemon dispute and ECO told him Stocklemon wanted to settle the matter. Garrod indicated to Zosiak that, while he was concerned that Global was selling so much GTX, he had nothing to "hang his hat on". He was content that Zosiak had earlier (in November 2005) advised him that she had done extensive due diligence. Garrod also indicated to Zosiak he thought "the key is knowing exactly who your client is and how he/she got the stock they're selling, and who is promoting the stock, and their backgrounds. Everything else is pretty much window dressing." Zosiak replied "Ok, well I asked originally and the client (Montaque) stated this was all paper, non-promotional I checked that specifically."

Number of GTX Shares Sold by Global

61. The number of GTX shares sold from the Laureate and Walcott accounts during the Relevant Period is set out below, along with the corresponding percentages of total market volume for GTX:

Number of GTX Shares Sold by Global (as at trade date)

(*includes shares sold which were purchased in the secondary market by each account)

		Laureates'		Walcott		Combined	
	Market Volume	**Sales**	**%**	**Sales**	**%**	**Sales**	**%**
October 2005	130,330	47,357	36.34%	0	0.00%	47,357	36.34%
November 2005	6,051,466	750,671	12.40%	410,500	6.78%	1,161,171	19.19%
December 2005	6,782,466	167,608	2.47%	140,973	2.08%	308,581	4.55%
January 2006	3,500,964	297,140	8.49%	152,407	4.35%	449,547	12.84%

February 2006	3,636,858	278,500	7.66%	254,613	7.00%	533,113	14.66%
March 2006	4,476,464	573,247	12.81%	254,857	5.69%	828,104	18.50%
April 2006	13,229,776	494,995	3.74%	609,712	4.61%	1,104,707	8.35%
May 2006	6,689,322	518,995	7.76%	524,840	7.85%	1,043,835	15.60%
June 2006	2,753,672	183,635	6.67%	0	0.00%	183,635	6.67%
Total	**47,251,318**	**3,312,148**	**7.01%**	**2,347,902**	**4.97%**	**5,660,050**	**11.98%**

62. Of the foregoing GTX shares sold through Global, 5,403,084 came from the 6,696,584 shares that were delivered to Walcott and Laureate. After learning of the indictment, Global returned a total of 1,293,500 GTX shares to Laureate and Walcott.

63. As noted earlier herein, Brighten noted on the Laureate and Walcott NAAFs that no trading in either account should occur until the new account documentation had all been completed. The Certificates of Incumbency for each account, which were required by Global as part of a complete Package were dated November 28, 2005. Global documents indicate receipt of the two Certificates on December 2, 2005. Accordingly, no trading should have occurred prior to this date. The table above indicates that trading in the Laureate and Walcott accounts occurred prior to receipt of complete account documentation.

Global Weekly Limit re GTX

64. Garrod imposed a maximum Package approval restriction on the number of GTX share certificates which Brighten and Garrod would approve on a weekly basis. This restriction was imposed to reinforce Global's policy restricting Global from being a buy or sell side market participant exceeding 20 – 25% in any stock. The maximum weekly number of GTX shares which could be approved was fixed by Garrod at 100,000 shares.

Wire Transfers

65. During the Relevant Period, the following dollar amounts were wire transferred from the Laureate and Walcott accounts:

Wire Transfers ($)

Outgoing Wires	Laureate's	Walcott	Total
October 2005	10,404.09		10,404.09
November 2005	2,786,243.99	961,298.62	3,747,542.61
December 2005	2,480,162.18	2,011,552.88	4,491,715.06
January 2006	487,490.49	232,296.42	719,786.91
February 2006	2,626,804.81	2,010,017.19	4,636,822.00
March 2006	3,351,054.65	1,078,495.76	4,429,550.41
April 2006	1,718,714.41	1,264,270.48	2,982,984.89
May 2006	1,748,060.53	2,788,876.74	4,536,937.27
June 2006	772,407.86	305,607.55	1,078,015.41

Total	15,981,343.01	10,652,415.64	26,633,758.65

66. Zosiak received a blanket wire instruction form for each of Laureate and Walcott dated 31 October 2005 and 16 November 2005 respectively. Zosiak was instructed to "debit the subject account on a daily basis and wire transfer all available funds to the same coordinates."

67. The monies from both Laureate and Walcott were wired to the named Bahamian bank account, which is the same bank account indicated on Montaque's, Laureate's and Walcott's NAAFs. No inquiries were made asking why monies from the trading accounts of Laureate and Walcott were being wired to Montaque's bank account.

68. For each wire transfer, Zosiak completed a wire requisition form, attached either the Laureate or Walcott wire instruction and forwarded the documents to Global's compliance department.

Commissions

69. During the Relevant Period, Global received $318,901.44 (US) in commissions as a result of the trading in GTX. Zosiak's portion of those commissions was $154,968.25 (US).

Global Memoranda Re: OTCBB Stock

70. Garrod issued memoranda to all Global IAs regarding OTC Bulletin Board Stock. These memoranda are dated December 3, 1999, July 24, 2000, September 12, 2000 and February 24, 2006. The memoranda outlined the potential problems with some OTCBB stocks, including manipulation, failed deliveries and unsavory players.

71. As a result of these potential problems, the memoranda established special guidelines for dealing with OTCBB stock. These guidelines required that, amongst other things, when physical share certificates were being delivered in, they must be accompanied by an opinion from the issuer's attorney. This guideline contained sample language for these types of opinions.

GARROD'S SUPERVISION OF LAUREATE AND WALCOTT

72. In respect of the legal opinions, Garrod accepted them at face value. He was not aware if anyone at Global contacted ECO to determine how he arrived at his conclusions.

73. In late October 2005, Garrod ordered a Lexis Nexus search on Montaque and OB from a third party service provider. The search covered offshore news sources, Bahamian case law databases and US Federal District Court Civil Registries, and in the case of OB, covered Criminal Court Registries. The approximately 30 page search results produced no civil or criminal decisions or filings. The results did produce several internet based news stories about Montaque and OB.

74. One of these stories indicated that OB had been the first president and director of a Bahamas based stock brokering firm which investors claimed had sold them dubious stocks. In the story, OB was quoted as saying that he only served as the president in the company's formative stage but relinquished that position when operations/trading commenced. In the same article, OB was quoted as saying that Montaque acquired positions in companies on behalf of clients and that it did not take positions in companies on their own account.

75. After he sent the November 7, 2005 e-mail to Zosiak expressing his concerns that OB and Montaque may act for some unscrupulous clients Zosiak indicated she did speak to her clients, but there is no evidence that she determined what precautions they took in to protect themselves from unscrupulous clients or that Garrod made further inquiries of Zosiak about that issue.

76. As set out earlier herein, Garrod was aware of the November 15, 2005 GTX news release which was responding to the Stocklemon.com article.

77. Garrod advised Staff that it was fair to say that as of that point in time, GTX was on his radar. In the meantime, many GTX share certificates were accepted for deposit at Global and large quantities of

money were wired from Laureate and Walcott to Montaque's bank account in the Bahamas, a third party account. However, Garrod did not make any follow up inquiries on the matter until May 2006, near the end of the Relevant Period (as outlined by the Zosiak/Garrod e-mail exchange set out earlier herein).

78. Garrod was advised by Zosiak that she had done due diligence on OB, ES and Montaque, not the issuer, GTX. However, there is no evidence that Garrod inquired about the results of this due diligence.

79. A March 2006 email exchange between Garrod and Zosiak was the first indication that Garrod made direct inquiries about how much of the sell side of the GTX market that Global was. In May 2006 Garrod expressed concern about the amount of GTX that Global was selling.

80. It was only after Brighten's May 18, 2010 interview with Staff that Garrod contacted OB and ES to inquire about the discrepancy between the information in the Laureate and Walcott NAAFs and the Certificate of Incumbency for Walcott. ES replied that the beneficial owner of record of Walcott was indeed Lucaya and that the discrepancy was merely an error. Garrod advised Staff that he was perturbed with that response.

81. Notwithstanding all the information available to it, Global continued to do business with Montaque until early 2011 after which it fired Montaque as a client, although Global significantly curtailed accepting OTCBB and Pink Sheet certificates from Montaque shortly after Global learned of the existence of the Indictment.

82. Garrod established procedures to deal with OTCBB and Pink Sheet stocks as evidenced by his memoranda, the checklist, the restriction against exceeding 20 – 25% market participation in any stock and the 100,000 share per week limit on GTX. He also expressed concern about the issues outlined in the Stocklemon articles and the quantity of GTX shares being sold. However, he did not take the steps as described herein, to ensure his concerns were alleviated or to curtail the sales of GTX shares through Global. Any outside inquiries that he made were near the end of, or substantially after the Relevant Period.

83. At no time during the Relevant Period did Garrod have any discussions with either Zosiak or Brighten about discontinuing the trading of GTX stock through Global.

IV. MITIGATING FACTORS

84. Garrod cooperated with Staff throughout the investigation.

85. Garrod has no prior disciplinary history.

86. As UDP, Garrod established procedures at Global to deal with OTCBB and Pink Sheet stocks.

87. Garrod was not responsible for day-to-day trading supervision. His role in respect of accepting OTCBB and Pink Sheet certificates was of a senior level of review.

V. TERMS OF SETTLEMENT

88. 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.

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

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

91. 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.

92. 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.

93. 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.

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

95. 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.

96. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable within ten (10) calendar days of the effective date of the Settlement Agreement.

97. 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 Vancouver in the Province of British Columbia, this 5th day of October, 2011.

"Witness signature"	**"Douglas Garrod"**
Witness	**Respondent**

AGREED TO by Staff at the City of Vancouver in the Province of British Columbia, this 6th day of October, 2011.

"Shannon Miller"	**"Barbara Lohmann"**
Witness	**Barbara lohmann** Senior Enforcement Counsel on behalf of Staff of the Investment Industry Regulatory Organization of Canada

ACCEPTED at the City of Vancouver in the Province of British Columbia, this 1st day of November, 2011, by the following Hearing Panel:

Per: "Thomas Braidwood"

Panel Chair

Per: "Mike Johnson"

Panel Member

Per: "Chris Lay"

Panel Member