INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

IN THE MATTER OF:

THE RULES OF THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AND

GLENN ARTHUR TAGGART

NOTICE OF HEARING

TAKE NOTICE that pursuant to Part 10 of Dealer Member Rule 20 of the Investment Industry Regulatory Organization of Canada ("IIROC"), a hearing will be held before a hearing panel of IIROC ("Hearing Panel") to set a date for a discipline hearing on December 9th, 2014 in the IIROC Ontario Room, 121 King Street West, Suite 2000, Toronto, Ontario, at10 am, or as soon thereafter as the hearing can be heard.

TAKE FURTHER NOTICE that pursuant to Rule 6.2 of IIROC's Dealer Member Rules of Practice and Procedure ("Rules of Practice and Procedure"), that the hearing shall be designated on the:

☒ The Standard Track

☐ The Complex Track

THE PURPOSE OF THE HEARING is to determine whether Glenn Arthur Taggart ("the Respondent" or "Taggart") has committed the following contraventions that are alleged by the Staff of IIROC ("Staff"):

> **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 December 2013, 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.

PARTICULARS

TAKE FURTHER NOTICE that the following is a summary of the facts alleged and to be relied upon by Staff at the hearing:

A. Overview

1. Glenn Arthur Taggart executed numerous trades in the accounts of eight clients without their authorization. In the vast majority of cases, the clients only learned that trades had taken place after the fact.

2. Further, Taggart recommended a series of five securities for the eight 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.

3. In the case of one of the eight 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.

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

B. Registration History

5. 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

6. 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.

7. 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.

C. Taggart's Clients

8. 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

D. Taggart Engaged in Unauthorized Trading

9. 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 paragrahs10-12 below.

10. 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.

11. 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.

12. 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.

E. Taggart Executed Unsuitable Transactions

I. <u>New Client Application Form Information Not Accurate</u>

13. 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.

14. The results of the Questionnaire for the five of the eight 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.

15. 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.

16. 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%.

17. 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 or at any other time.

18. 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 40-60% high risk tolerance, and all Clients' investment objectives were no less than 20% growth (and as high as 60%) and no less than 40% speculative growth (and as high as 80%).

II. Taggart Recommended and Purchased Unsuitable Investments for Clients

19. 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")
- Intertainment Media Corp.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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

25. 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.

26. 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.

27. 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

28. 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.

29. 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

30. 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.

31. 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.

32. 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.

33. 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

34. 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

35. 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.

36. 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

37. 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

38. 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

39. 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.

40. 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.

41. 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.

42. 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

43. 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.

44. 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

45. 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.

46. 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

47. 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

48. 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.

49. 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

50. 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.

51. 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

52. 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.

53. 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.

54. 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

55. 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.

56. Subsequently, in lieu of 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

57. As a result of Taggart's conduct, between January 2009 to December 2013 in all but one case, the Clients experienced overall 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.

58. 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.

GENERAL PROCEDURAL MATTERS

TAKE FURTHER NOTICE that the hearing and related proceedings shall be subject to the Rules of Practice and Procedure.

TAKE FURTHER NOTICE that pursuant to Rule 13.1 of the Rules of Practice and Procedure, the Respondent is entitled to attend and be heard, be represented by counsel or an agent, call, examine and cross-examine witnesses, and make submissions to the Hearing Panel at the hearing.

RESPONSE TO NOTICE OF HEARING

TAKE FURTHER NOTICE that the Respondent must serve upon the Staff of IIROC a Response to the Notice of Hearing in accordance with Rule 7 of the Rules of Practice and Procedure within twenty (20) days (for a Standard Track disciplinary proceeding) or within thirty (30) days (for a Complex Track disciplinary proceeding) from the effective date of service of the Notice of Hearing.

FAILURE TO RESPOND OR ATTEND HEARING

TAKE FURTHER NOTICE that if the Respondent fails to serve a Response or attend the hearing, the Hearing Panel may, pursuant to Rules 7.2 and 13.5 of the Rules of Practice and Procedure:

a) proceed with the hearing as set out in the Notice of Hearing, without further notice to the Respondent;
b) accept as proven the facts and contraventions alleged by Staff in the Notice of Hearing; and
c) order penalties and costs against the Respondent pursuant to Dealer Member Rules 20.33, 20.34 and 20.49.

PENALTIES & COSTS

TAKE FURTHER NOTICE that if the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by Staff in the Notice of Hearing, the Hearing Panel may, pursuant to Dealer Member Rules 20.33 and 20.34, impose any one or more of the following penalties:

Where the Respondent is/was an Approved Person:

(a) a reprimand;
(b) a fine not exceeding the greater of:

(i) $1,000,000 per contravention; and
(ii) an amount equal to three times the profit made or loss avoided by such Approved Person by reason of the contravention.

(c) suspension of approval for any period of time and upon any conditions or terms;
(d) terms and conditions of continued approval;
(e) prohibition of approval in any capacity for any period of time;
(f) termination of the rights and privileges of approval;
(g) revocation of approval;
(h) a permanent bar from approval with the IIROC; or
any other fit remedy or penalty.

Where the Respondent is/was a Dealer Member:

(a) a reprimand;
(b) a fine not exceeding the greater of:

(i) $5,000,000 per contravention; and
(ii) an amount equal to three times the profit made or loss avoided by the Dealer Member by reason of the contravention;

(c) suspension of the rights and privileges of the Dealer Member (and such suspension may include a direction to the Dealer Member to cease dealing with the public) for any period of time and upon any conditions or terms;
(d) terms and conditions of continued Membership;
(e) termination of the rights and privileges of Membership;
(f) expulsion of the Dealer Member from membership in the IIROC; or
(g) any other fit remedy or penalty.

TAKE FURTHER NOTICE that if the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by the Staff in the Notice of Hearing, the Hearing Panel may pursuant to Dealer Member Rule 20.49 assess and order any investigation and prosecution costs determined to be appropriate and reasonable in the circumstances.

DATED at Toronto, this 21st day of October, 2014.

ELSA RENZELLA
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