BC Securities Commission
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2026 BCSECCOM 312

Order Varying Notice of Administrative Penalty

Michael Derek Townsend

Section 162.04 of the *Securities Act*, RSBC 1996, c. 418

1. In a Notice of Administrative Penalty dated June 15, 2026 (the Notice), I found that Michael Derek Townsend contravened section 3.3 of National Instrument 55-104 *Insider Reporting Requirements and Exemptions* (NI 55-104) by failing to file timely insider reports for 528 transactions in the securities of four reporting issuers with a total reported value of $1,568,265 over approximately 45 months.

2. Under section 162.01 of the *Securities Act* (the Act), subject to his right to dispute the alleged contraventions or penalty amount under section 162.04 of the Act, I considered it in the public interest to require him to pay an administrative penalty of $70,000 for the alleged contraventions.

3. On July 27, 2026, Townsend advised that he was exercising his opportunity to be heard to dispute the amount of the penalty. On August 14, his counsel made written submissions on why the penalty should be reduced. On August 21, staff responded to Townsend's submissions. On August 28, Townsend replied to staff's submissions. This is my decision on the appropriate penalty amount.

4. Having considered the submissions, I have concluded that the appropriate amount of the penalty is $60,000.

Submissions

Townsend's Submissions

5. Townsend submitted that having regard to all of the circumstances, the proposed administrative penalty is disproportionate to the conduct at issue and should be revoked. In the alternative, if a penalty is warranted, a penalty in the range of $35-40,000 would be appropriate.

6. More specifically, Townsend submitted that:

   a. Prior Conduct – Townsend's past settlement (see *Re Townsend*, 2007 BCSECCOM 300) was entered into over 19 years ago in circumstances that had the appearance of a deliberate attempt to conceal trading, whereas this is a case of inadvertently failing to report some transactions.

   b. Seriousness – Townsend's contraventions were inadvertent, did not benefit him financially or cause specific harm to any investor. Roughly a quarter of the transactions were reported within 30 days of the transaction date. Townsend was going through difficult family circumstances involving significant travel. His contraventions fall toward the lower end of the spectrum of seriousness for late insider reporting. The proposed penalty is disproportionate to the seriousness.

c. Mitigating Factors – Townsend did not receive staff's communications regarding his late filings. He promptly paid late filing fees of $15,650. The absence of concealment, financial benefit and harm to specific investors ought to have been considered mitigating factors.

d. Need to Demonstrate Consequences For and Deter Inappropriate Conduct – Insufficient weight was given to the 13 years that followed the settlement without incident and the late fees paid. The proposed sanction is greater than necessary to achieve specific and general deterrence.

e. Past Orders in Similar Circumstances -

   i. *Re Penn*, 2021 BCSECCOM 472 is distinguishable. Penn was a former registrant. He failed to file early warning reports as well as insider reports and was involved in misleading disclosure in information circulars. Despite these distinguishing factors, the proposed penalty in this matter is only marginally lower than the penalty of $75,000 paid in *Penn*. Taking into account the $15,650 already paid in late filing fees, the penalty would exceed the total sanction imposed in *Penn*.

   ii. *Re Doroudian*, 2025 BCSECCOM 117 and *Re Moore*, 2024 BCSECCOM 361 are the more relevant cases since they involved late insider reporting only. *Doroudian* involved 624 transactions worth approximately $1 million over 55 months. The penalty was $50,000 even though late filing fees of approximately $23,000 had not been paid. *Moore* involved 156 transactions worth approximately $600,000 over 27 months. The penalty was $40,000 even though late fees of approximately $9,000 had not been fully paid. Staff acknowledge that Townsend's conduct was roughly in line with Doroudian's and merited a $55,000 penalty but for Townsend's prior misconduct. The increase of $15,000 for conduct that occurred over 20 years ago is not warranted.

f. Public Interest – Townsend did not engage in any of the harms that insider reporting is designed to address, such as insider trading or improper use of options or similar instruments. He did not derive a benefit and paid his late filing fees.

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Staff's Response

7. To summarize, staff responded that their position on penalty was unchanged and that $70,000 was fair and reasonable in the circumstances:

    a. Townsend's assertion of family difficulties lacks detail and does not reduce the seriousness of the contravention.

    b. Promptly paying late fees and the absence of aggravating factors (concealment, personal benefit, specific investor harm) are not mitigating factors. Cooperation is expected. The proposed penalty already reflects these considerations.

    c. Staff agree Townsend's past settlement is older and that his past contraventions appear more serious than his current ones, but a penalty of $35-40,000 based on Moore would be giving the settlement little to no weight.

    d. The Notice did not find that Townsend's contraventions were in line with *Doroudian*, but rather that taking into account all of the factors in each case, Townsend's situation was closest to *Penn*. Implicitly the Notice finds that Townsend's past settlement counterbalances any difference raised by other contraventions in *Penn*.

Townsend's Reply

8. In reply, Townsend submitted that staff had raised no new law and so the only issue is whether the proposed $70,000 penalty is proportionate. A penalty in the range of $35-40,000 would be more appropriate.

    a. It is inconsistent with the principle of proportionality to give Townsend's personal circumstances or the circumstances of the contravention (no concealment, no personal benefit, no harm to a specific investor) no weight. They are part of the surrounding circumstances which include the fact that the contravention was inadvertent. These factors are relevant to seriousness, proportionality and the need for deterrence.

    b. Townsend is not saying that little or no weight should be given to his past settlement, but rather that disproportionate weight has been put on it. Historical conduct should not eclipse proportionality. It is one factor among many.

Analysis

Past Conduct

9. I agree with Townsend and staff that the age of Townsend's past settlement for insider reporting contraventions is relevant and that the past conduct appears more serious than the current contraventions because there were transactions through corporate accounts and an offshore securities firm.

10. In fact, the totality of the circumstances of the settlement is relevant to setting the appropriate penalty in this case.

    a. At the time of the settlement, Townsend was 39 years old and serving in senior roles like CEO, President and Secretary as well as Chairman of the Board of two reporting issuers.

    b. The total volume of non-compliance in the settlement was lower than in this case. The dollar value of the shares is unclear but there were 32 transactions in the securities of one issuer and 47 in the securities of the other over a period of about 17 months.

    c. Townsend did not report the transactions until after staff brought his failure to file to his attention.

    d. The sanction was not only financial; in addition to an undertaking to pay $40,000 and late fees of $1,250, the executive director made an order that Townsend:
        i. comply with the Act, the *Securities Rules* and any applicable regulations,
        ii. cease trading in securities for one year with an exception for trading through a single dealer who had a copy of the order, and
        iii. resign any position as a director and officer, except with one of the reporting issuers, until the later of one year, the date he took a course on the duties of directors and officers, and the date he paid the undertaking.

11. My conclusions on the issue of prior conduct are that Townsend is an experienced senior executive who was sanctioned for the same type of contravention (insider reporting non-compliance) in 2007. The past conduct was less voluminous but more serious in nature than the present conduct. The past sanction involved time out of the market and an order to comply with securities legislation in addition to a $40,000 payment plus late fees. 19 years have elapsed since the settlement, including approximately 13 years without a contravention, but the present matter remains a repeat contravention. I did not overlook the age of the settlement or the fact that it involved more serious misconduct, nor do I agree that I put too much weight on the settlement.

Seriousness

12. I agree with Townsend that his contraventions are less serious because they arise from inadvertence, he did not benefit financially, he filed many reports on his own and has paid his late fees. I have no reason to reject Townsend's assertion that he was experiencing family difficulties at the time of the contraventions, but I also have few details, such as whether the timing of those events covered the entire relevant period starting in 2020 or only some part of it. Ultimately this is context supporting that the contraventions were inadvertent versus a deliberate attempt to conceal transactions. Against this, the number of transactions, time period and value of the transactions is significant.

Mitigating Factors

13. I agree with staff that paying late fees and the absence of concealment, financial benefit and harm to specific investors are not mitigating factors. Late fees are required by law and compliance with the law is not a mitigating factor. Absence of concealment and financial benefit are relevant but go to seriousness. It is unusual to be able to identify harm to specific investors with this type of contravention. The major harm is to market integrity, because investors as a whole do not have a complete picture of trading by insiders.

Need to Demonstrate Consequences and Deterrence

14. Townsend asserts the penalty is more than what is needed for deterrence given the nature of the contraventions. I acknowledge that $70,000 is a substantial sum for inadvertent late filings and that Townsend paid his late fees. On the other hand, this is a repeat contravention.

Past Orders in Similar Circumstances

15. In the Notice I said that the most relevant precedents were *Doroudian* and *Penn* and that I saw Townsend's situation as closest to *Penn*.

16. I do not agree with Townsend that the appropriate penalty needs to be materially lower than what was imposed in *Penn*. *Penn* is different because Penn was a former registrant, however, there is not a large difference between the expectations of a former registrant and the expectations of a long serving senior officer and director of multiple reporting issuers like Townsend who has previously been required to take a course on the duties of directors and officers. The additional contraventions in *Penn* (early warning and information circular disclosure violations) are definitely relevant, but the various contraventions in *Penn* were similar in nature because they involved a failure to accurately disclose insider holdings. Against this, the relevant period and number and value of transactions for Townsend was higher than in *Penn*, and Townsend has prior late reporting contraventions. Both Townsend and Penn paid their late filing fees of $15,650 and $9,100, respectively. This was all reflected in the proposed penalty of $70,000 for Townsend versus the $75,000 plus a requirement to take a course imposed in *Penn*.

17. The above said, I do agree with Townsend that *Doroudian* is a highly relevant precedent and suggests that a penalty lower than $70,000 may be appropriate. In *Doroudian*, the only contraventions were for late insider reporting. The relevant period is 10 months longer and there were roughly 100 more transactions than in Townsend's case, although the value of the transactions is over $500,000 lower. Unlike Townsend, Doroudian had not paid the $23,050 in late fees he owed. Doroudian had no disciplinary history whereas Townsend has been previously disciplined for the same type of contravention. I ordered Doroudian to pay a $50,000 penalty.

18. It is important to consider the proper relevance of late filing fees. Townsend's submissions mostly refer to late fees as fees. However, para. 32 of Townsend's August 14, 2026 submissions, under Mitigating Factors, says that Townsend "has already paid late-filing penalties totalling $15,650". Under section 22, item 19 of the *Securities Regulation*, a person who files an insider report must pay $50 if it is filed outside the prescribed period. These fees are imposed alongside all of the BCSC's other fees for filing things like registration applications, financial statements, prospectuses, exempt distribution reports and various other applications. They are intended to defray the costs of administering the insider reporting regime and the BCSC's operations more generally. They are not penalties; penalties are generally imposed for a contravention after a respondent is provided with an opportunity to be heard or a hearing. Late fees paid should not be mechanically added or subtracted when determining the appropriate penalty amount.

19. When a respondent pays late fees, it is not a mitigating factor, but it does go to seriousness because it shows the respondent accepts responsibility for their late filing and the consequences. There may also be less need for specific deterrence. In setting the penalty, I should look at the entirety of the conduct of the respondent and the consequences the respondent has faced, but I must not treat late filing fees paid as part of the penalty.

20. When a respondent does not pay late fees when due, depending on the circumstances, it can make the entire situation more serious and suggest a greater need for specific deterrence. But it does not amount to non-payment of a penalty.

21. Given that the contraventions in *Doroudian* are broadly similar to Townsend's, Doroudian had not paid his late fees and the penalty imposed was $50,000, I agree that a penalty of $70,000 may be too high in Townsend's case notwithstanding his prior settlement. The penalty should be higher than in *Doroudian* given the past settlement, but $20,000 higher may not be proportionate. Both *Penn* and *Doroudian* are relevant.

22. *Moore* is less relevant. The relevant period, number of transactions and dollar value of the contraventions were significantly lower than in Townsend's case.

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23. Having considered Townsend's submissions and all of the relevant factors, I conclude that a $10,000 reduction of the penalty from what was proposed in the Notice is in the public interest.

Order

24. Under section 162.04(3) of the Act, I:

   a. confirm by order that Townsend contravened section 3.3 of NI 55-104, and

   b. order Townsend to pay an administrative penalty of $60,000 by November 16, 2026.

I further confirm that Townsend has the right, under section 165 of the Act, to seek a hearing and review by the Commission of this decision.

September 15, 2026

Peter J. Brady
Executive Director