



British Columbia Securities Commission

Citation: 2013 BCSECCOM 267

Notice of Hearing

Douglas William Falconer Wood

Section 161 of the *Securities Act*, RSBC 1996, c. 418

¶ 1 The British Columbia Securities Commission (Commission) will hold a hearing at which the Executive Director will tender evidence, make submissions and apply for orders against Douglas William Falconer Wood (Wood) under sections 161, 162 and 174 of the *Securities Act*, R.S.B.C. 1996, c. 418 (Act), based on the following facts:

Background

1. Wood is a resident of British Columbia. He was a registered broker or Investment Advisor until February 2012.
2. Jordan Capital Markets Inc. (Jordan) is a registered investment dealer based in Vancouver, British Columbia. Wood was an employee of Jordan from February 1, 2009 to February 3, 2012.
3. Highland Resources Inc., now Highland Copper Company Inc. (Highland) is a resource company listed on the TSX Venture Exchange. Wood was involved in Highland's initial public offering in 2006, and is friends with Highland's Chief Executive Officer (Highland CEO).
4. Natural Resources Partners L.P. (NRP) is a master limited partnership based in Houston, Texas that is principally engaged in the business of owning and managing mineral reserve properties.
5. Bank Gutenberg AG (Bank Gutenberg), formerly Cat Brokerage AG, is a Swiss private bank and investment-dealer based in Zurich. Bank Gutenberg opened a trading account with Wood in February of 2009.
6. Doble International S.A. (Doble) is a shell company based in Panama. Doble has a trading account with Bank Gutenberg. Wood is the beneficial owner of Doble.



Misconduct

Wood traded shares with inside information

7. In the fall of 2010, a Highland shareholder, who was also Wood's long-time client and friend (Client), entered into negotiations with NRP with respect to the mineral rights to a large tract of land on the Keweenaw Peninsula in Michigan (the Copper Project).
8. The Client intended to engineer a joint venture between Highland and NRP to develop the Copper Project. He asked Wood to help him secure the Copper Project for Highland.
9. In October of 2010, Wood accompanied the Client to Houston, Texas to make the proposal to NRP. Wood conducted a PowerPoint presentation for NRP to explain how his employer, Jordan, could assist in financing the development of the Copper Project.
10. On November 2, 2010, at Wood's behest, Jordan provided Highland with a letter of intended financing for the Copper Project. Wood sent the letter to NRP on November 3, 2010, and advised that Jordan would welcome the chance to be involved in the Copper Project.
11. On December 2, 2010, Wood received the draft Letter of Intent between Highland and NRP (LOI) by email from the Client and forwarded it to Highland's CEO.
12. On December 7, 2010, negotiations between the Client and NRP with respect to the Copper Project had advanced to the point that the Client emailed Wood to tell him that the deal was "just about there."
13. The next day, December 8, 2010, Wood purchased 195,500 shares of Highland at \$.10 per share. He purchased another 4,500 shares at \$.12 per share on December 10, 2010. Wood used his personal agency account at Jordan's to purchase these shares and then transferred them into Bank Gutenberg's trading account.
14. On the evening of December 12, 2010, Wood received a voice mail from his Client that a deal between Highland and NRP was imminent.
15. The next morning, December 13, 2010, Woods purchased another 50,000 shares of Highland at \$.125 per share using the Bank Gutenberg trading account.



16. Wood directed Bank Gutenberg to transfer 150,000 Highland shares into his Doble account with Bank Gutenberg. The shares were posted into Doble's account on December 16, 2010. The other 100,000 shares Wood purchased for Bank Gutenberg were allocated to the account of another Panamanian offshore company with the same Board of Directors as Doble.
17. On December 17, 2010, Highland issued a news release stating that it was engaged in ongoing negotiations with NRP and that it would release details as soon as the agreement was signed (News Release).
18. On December 17, 2010, after the News Release, Highland's stock price closed at \$.25 per share, up 150% from the previous day's closing price of \$.10 per share.
19. On December 30, 2010, Wood sold 100,000 Highland shares on behalf of Doble for \$0.315 per share. This represented an increase of 225% above his average purchase price prior to the News Release, and generated a profit of approximately \$18,000.
20. By purchasing Highland shares while in a special relationship with Highland and with knowledge of:
 - (a) the negotiations surrounding the Copper Project; and
 - (b) the impending LOI between Highland and NRP,before such information was generally disclosed, Wood contravened section 57.2(2) of the Act.

Wood abused his position as a registrant

21. Wood used an elaborate scheme of deception, only available to a registrant, to conceal his insider trading by:
 - (a) using his agency account and his client, Bank Gutenberg's account to purchase the shares;
 - (b) transferring his shares into his client, Bank Gutenberg's, account; and
 - (c) directing Bank Gutenberg to allocate his shares to Doble, his offshore Panamanian company's account with Bank Gutenberg.



Wood lied to his regulators

22. During a compelled interview, Wood lied to BCSC staff when he stated:
- (a) the trades he placed on behalf of Bank Gutenberg were unsolicited; and
 - (b) Bank Gutenberg was trading on behalf of itself, Bank Gutenberg.
23. By giving information to persons appointed under the Act that is false or misleading in a material respect, Wood contravened section 168.1(1)(a) of the Act.
24. During a compelled interview, Wood lied to Investment Industry Regulatory Organization of Canada's (IIROC) staff when he stated that:
- (a) he did not know who was directing Bank Gutenberg's trading in Highland;
 - (b) he had no knowledge of who benefited from that trading; and
 - (c) he did not know anyone who had an account with Bank Gutenberg.

Wood deceived Jordan and traded in restricted stocks

25. Wood used Doble to trade in securities through Bank Gutenberg and another Swiss based bank. Wood did not inform Jordan about his interest in Doble, contrary to Jordan's policies.
26. When Jordan is involved in a potential financing transaction, it prohibits its employees from trading in the securities of the companies involved. Through Doble, Wood traded shares in companies that were on Jordan's "grey" or restricted list, including:
- (a) CBM Asia Development Corporation;
 - (b) EMC Metals Corporation;
 - (c) Mexigold Corporation; and
 - (d) Highland.
27. The Respondent's conduct described in this Notice of Hearing is contrary to the public interest.



Orders sought

28. It is in the public interest that the Commission issue orders under sections 161 and 162 of the Securities Act.

Hearing Process

- ¶ 2 The Respondent or his counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on Tuesday, **September 17, 2013**, at **9:00 am** if he wishes to be heard before the Commission sets a date for the Hearing. Relevant information gathered by Commission Staff in the investigation of this matter will be disclosed to the Respondents upon request to the Executive Director.
- ¶ 3 At the Hearing, the Respondent may be represented by counsel, make submissions and tender evidence. The Respondent is requested to advise the Commission of his intention to attend the Hearing by informing the Secretary to the Commission at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.
- ¶ 4 If the Respondent or his counsel does not appear at the hearing, the Executive Director may apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondent may be made in their absence.
- ¶ 5 August 7, 2013.

Paul C. Bourque

- ¶ 6 Paul C. Bourque, Q.C.
Executive Director