



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
TREVOR ROSBOROUGH, TAYLOR CARR and DMITRI GRAHAM
AMENDED STATEMENT OF ALLEGATIONS**

(Subsection 127(1) and Section 127.1
of the *Securities Act*, RSO 1990, c S.5)

A. OVERVIEW

1. These allegations involve illegal insider trading and tipping by an experienced registrant and his associates. The respondents in this matter undermined the integrity of Ontario's capital markets by disseminating, and trading with knowledge of, material, non-public information for their personal gain.

2. Illegal insider trading and tipping are fundamental abuses of material, non-public information. Regardless of the amount of any profit made, these offences erode public confidence in Ontario's capital markets and cannot be tolerated. This is especially so when those engaged in this illegal conduct are registrants, who serve an important gatekeeper role in protecting the integrity of our markets. Investors rely on registrants to understand and comply with Ontario securities law. Consequently, registrants who abuse that trust and counsel others to engage in illegal conduct tarnish the reputation of both the registration regime and law-abiding registrants in Ontario.

3. This misconduct was centered on Trevor Rosborough (**Rosborough**), a suspended mutual fund dealing representative who enlisted the help of associates so he could advise clients while suspended, illegally tip clients and associates and engage in illegal insider trading.

4. On October 31, 2017, Rosborough was terminated by his employer for obtaining and using pre-signed forms. The termination had the effect of suspending Rosborough's registration pursuant to s. 29(3) of the Ontario *Securities Act* (the **Act**). In November 2017, Rosborough enlisted the

help of two individuals, one of whom was Dmitri Graham (**Graham**), to help him continue to advise clients while his registration was suspended. Graham, who was a registered mutual fund dealing representative, helped Rosborough process securities transactions at this time. In return, Rosborough allowed Graham to work from his office space, drive his vehicle, and paid his registration fees at Sterling Mutuals Inc. (**Sterling Mutuals**).

5. While suspended from registration, Rosborough obtained material, non-public information from his friend Taylor Carr (**Carr**), who was an employee at WeedMD Inc. (**WeedMD**). WeedMD is a reporting issuer in Ontario that is listed and publicly traded on the Toronto Venture Exchange (**TSX-V**). Through Carr, Rosborough learned WeedMD was set to announce that it had entered into a definitive purchase option agreement that was expected to be “transformational” and eventually increase the company’s annual production by over 4000% (the **Expansion**).

6. To impress his existing clients and to grow his business, prior to November 22, 2017, Rosborough communicated details of the Expansion to two clients, Clients A and B. Rosborough also communicated this information to Graham.

7. Between November 10, 2017 and November 21, 2017, each of Rosborough, Carr, and Graham, (collectively, the **Respondents**) purchased WeedMD shares. WeedMD publicly announced the Expansion on November 22, 2017, and the closing price of WeedMD’s shares rose by 33% that day, relative to the previous day’s closing price. On November 22, 2017, following the announcement of the Expansion, the Respondents sold all their shares for a modest profit. These profitable trades were a result of insider trading and tipping, and therefore significant breaches of Ontario securities law.

B. FACTS

Staff of the Ontario Securities Commission (**Staff**) make the following allegations:

WeedMD and the Expansion

8. WeedMD is a reporting issuer in Ontario and the Ontario Securities Commission (the **Commission**) is its principal regulator. WeedMD was listed on the TSX-V on April 27, 2017.

9. On November 22, 2017, WeedMD announced details of the Expansion, confirming that the company had entered into a definitive lease and purchase option agreement with Perfect Pick Farms Ltd. (**Perfect Pick**) for Perfect Pick's 98-acre property which included a 610,000 sq. ft. state-of-the-art greenhouse facility that could be rapidly retrofitted for cannabis. The new facility was expected to increase WeedMD's annual production from 1,200 kg to more than 21,000 kg in the initial phase and eventually bring annual production to over 50,000 kg. The Expansion was characterized by WeedMD as a "transformational expansion".

10. After the details of the Expansion were generally disclosed, the closing price of WeedMD shares rose by 33% relative to the previous day's closing price. A material change report regarding the Expansion was filed by WeedMD on November 27, 2017. The Expansion was material in respect of WeedMD.

The Respondents

A. Rosborough

11. Rosborough was registered as a mutual fund salesperson with Quadrus Investment Services Ltd. (**Quadrus**) from September 5, 2006 to September 28, 2009, and then as a mutual fund dealing representative from September 28, 2009 to October 31, 2017.

12. On October 31, 2017, Rosborough was terminated from Quadrus for obtaining and using pre-signed forms. The termination had the effect of suspending Rosborough's registration pursuant to s. 29(3) of the Act. This conduct also resulted in a settlement agreement between Rosborough and the Mutual Fund Dealers Association (the **MFDA**) wherein Rosborough agreed to a fine of \$10,000 and \$2,500 in costs.

13. Between his registration suspension with Quadrus and reactivation of his registration with Sterling Mutuals Inc. (**Sterling Mutuals**) on or around July 30, 2018, Rosborough breached s. 25 of the Act, among others, for engaging in stealth advising via two individuals, one of whom is Graham. In a settlement agreement approved by the Director of Compliance and Registrant Regulation on May 4, 2020, (the **CRR Settlement**), Rosborough agreed to, among other terms, a five-year suspension of his registration, effective June 1, 2020.

B. Carr

14. Carr is a resident of St. Thomas, Ontario. Carr worked as a Production Technician at WeedMD in November 2017.

15. Carr met Rosborough through his father during a snowmobiling trip and the two became acquainted.

C. Graham

16. Graham is a resident of London, Ontario. Graham was registered with Quadrus from September 16, 2016 to October 20, 2017 as a Dealing Representative under the category of Mutual Fund Dealer. Rosborough arranged for Graham to become registered with Sterling Mutuals so he could process securities transactions for Rosborough. Graham's registration with Sterling Mutuals was finalized on November 23, 2017. Rosborough introduced Graham to others as his associate. Graham worked out of Rosborough's office space at Masterpiece Financial.

17. Graham is currently a registrant with the Investment Industry Regulatory Organization of Canada (**IIROC**) as a dealing representative sponsored by National Bank Financial Incorporated.

Tipping and Insider Trading of WeedMD Shares

18. Between November 10, 2017 and November 22, 2017 (the **Material Time**), the Respondents engaged in insider trading. Rosborough and Carr also engaged in insider tipping during the Material Time.

19. On or before November 10, 2017, Carr learned details of the Expansion within WeedMD before it was publicly disclosed. The Expansion was significant to Carr because he would be promoted once the Expansion was finalized. As an employee of WeedMD during the Material Time, Carr was in a special relationship with WeedMD pursuant to ss. 76(5)(c)(i) of the Act.

20. After meeting on a snowmobiling trip organized by Carr's father, Carr and Rosborough became acquainted and kept in contact. Rosborough would contact Carr on several occasions to inquire about the status of WeedMD. Carr was the only person Rosborough knew who was employed at WeedMD during the Material Time.

21. On or before November 10, 2017, Carr told Rosborough about the material, non-public information relating to the Expansion. Rosborough subsequently became a person in a special relationship with WeedMD, pursuant to ss. 76(5)(e) of the Act, because he knew, or ought to have known, that Carr was in a special relationship with WeedMD.
22. On November 10, 2017, Rosborough, with knowledge of material, non-public information, purchased 1,090 WeedMD shares in his personal account.
23. On the same day, Rosborough sent an email to Client A stating, “I also have a friend who is the head grower at WeedMD how[sic] let me know off the record that they will be announcing a huge new facility so we need to buy that stock before next Friday and sell Friday.”
24. On November 14, 2017, Carr had a phone conversation with Rosborough. Carr purchased WeedMD shares the same day.
25. On or before November 15, 2017, Rosborough communicated details of the Expansion to Graham. On November 15, 2017, Graham purchased 3,185 WeedMD shares. Graham became a person in a special relationship with WeedMD because he knew, or ought to have known, that Rosborough was in a special relationship with WeedMD pursuant to ss. 76(5)(e) of the Act.
26. Prior to November 16, 2017, Rosborough communicated details of the Expansion to Client B, who opened a direct investing account and purchased shares of WeedMD. On November 16, 2017, Client A purchased WeedMD shares.
27. On or before November 21, 2017, Carr told Rosborough WeedMD was postponing the general disclosure of the Expansion to November 22, 2017.
28. On Tuesday, November 21, 2017, Client A’s spouse emailed Rosborough asking if the announcement regarding the Expansion was forthcoming. Rosborough responded on the same day that the announcement was “deferred to Wednesday”.
29. On or before November 21, 2017, Rosborough communicated the deferral of the announcement regarding the Expansion to Graham. On November 21, 2017, Graham purchased an additional 1,300 WeedMD shares.

30. On November 22, 2017, details of the Expansion were generally disclosed, and the Respondents all sold their WeedMD shares and profited from the trade.

Misleading Statements

31. During Staff's investigation, Graham made numerous statements that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue or did not state facts that were required to be stated or that were necessary to make the statements not misleading, contrary to ss. 122(1)(a) of the Act.

32. Specifically, during Graham's compelled examination on April 24, 2020, Graham misled Staff by:

- (a) Indicating he did not work with Rosborough at Masterpiece Financial until 2018. When asked about his employment gap from October 2017 to March 2018, Graham indicated he was "doing nothing in between"; and
- (b) Minimizing his relationship with Rosborough by:
 - (i) Denying that it was Rosborough who recommended he move his registration to Sterling Mutuals;
 - (ii) Denying that he was compensated by Rosborough or Masterpiece Financial; and
 - (iii) Denying that he ever assisted Rosborough with anything work related.

33. Staff later confirmed that Graham began working with Rosborough in November 2017. The work arrangement began with Rosborough inviting Graham to join Sterling Mutuals so that Graham could submit client applications on Rosborough's behalf while he was not registered to do so. Graham was compensated by Rosborough under this arrangement.

34. Graham's misleading statements obfuscated the nature of Graham's relationship with Rosborough, which was material to Staff's investigation into whether Rosborough told Graham material, non-public information regarding the Expansion.

C. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

35. Staff allege the following breaches of Ontario securities law and conduct contrary to the public interest:

- (a) The Respondents, while in a special relationship with an issuer, purchased or sold securities of the issuer with the knowledge of a material fact or material change with respect to the issuer that had not been generally disclosed contrary to ss. 76(1) of the Act;
- (b) Carr and Rosborough, while in a special relationship with an issuer, informed another person outside of the necessary course of business of a material fact or material change with respect to the issuer, before the material fact or material change had been generally disclosed, contrary to ss. 76(2) of the Act;
- (c) Graham made statements that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue or did not state facts that were required to be stated or that were necessary to make the statements not misleading, contrary to ss. 122(1)(a) of the Act.

36. Staff reserve the right to make such further and other allegations as Staff deems fit and the Commission may permit.

D. ORDER SOUGHT

37. Staff seek the following orders against the Respondents:

- (a) that they cease trading in any securities or derivatives permanently or for such period as is specified by the Commission under paragraph (2) of subsection 127(1) of the Act;

- (b) that they be prohibited from acquiring any securities permanently or for such period as is specified by the Commission under paragraph (2.1) of subsection 127(1) of the Act;
- (c) that any exemption contained in Ontario securities law not apply to them permanently or for such period as is specified by the Commission under paragraph (3) of subsection 127(1) of the Act;
- (d) that they be reprimanded under paragraph (6) of subsection 127(1) of the Act;
- (e) that they resign any position they may hold as a director or officer of any issuer under paragraph (7) of subsection 127(1) of the Act;
- (f) that they be prohibited from acting as a director or officer of any issuer permanently or for such period as is specified by the Commission under paragraph (8) of subsection 127(1) of the Act;
- (g) that they resign any position they may hold as a director or officer of any registrant under paragraph (8.1) subsection 127(1) of the Act;
- (h) that they be prohibited from acting as a director or officer of any registrant permanently or for such period as is specified by the Commission under paragraph (8.2) of subsection 127(1) of the Act;
- (i) that they be prohibited from becoming or acting as a registrant or promoter permanently or for such period as is specified by the Commission under paragraph (8.5) of subsection 127(1) of the Act;
- (j) that they pay an administrative penalty of not more than \$1 million for each failure to comply with Ontario securities law, pursuant to paragraph 9 of subsection 127(1) of the Act;
- (k) that they disgorge to the Commission any amounts obtained as a result of non-compliance with Ontario securities law, pursuant to paragraph 10 of subsection 127(1) of the Act;

- (l) that they pay costs of the Commission investigation and hearing under section 127.1 of the Act; and
- (m) such other order as the Commission considers appropriate in the public interest.

DATED at Toronto this 22nd day of January, 2021.

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