Re Mackie Research Capital

IN THE MATTER OF:

The Rules of the Investment Industry Regulatory Organization of Canada

and

Mackie Research Capital Corporation

2015 IIROC 24

Investment Industry Regulatory Organization of Canada
Hearing Panel (Ontario District)

Heard: July 8, 2015 in Toronto, Ontario
Decision: July 16, 2015

Hearing Panel:
Patrick T. Galligan, Q.C., Chair, David W. Kerr and F. Michael Walsh
Appearances:
Alexandra Clark, Enforcement Counsel
Nigel Campbell, Counsel for the Respondent

REASONS FOR DECISION

¶ 1 The Staff of Investment Industry Regulatory Organization of Canada ("IIROC") and the Respondent entered into a Settlement Agreement which they had negotiated pursuant to Rule 20.35 of IIROC Dealer Member Rules. They submitted the Settlement Agreement to this Hearing Panel pursuant to Rule 15 of the Rules of Practice for acceptance or rejection. After considering the material filed and the submissions made by counsel, we issued an order accepting the Settlement Agreement. These are our reasons for making that order.

THE CONTRAVENTIONS

¶ 2 The Respondent admits to the following contraventions of IIROC Dealer Member Rules, Guidelines, IDA By-Laws, Regulations or Policies:

(a) between July 1, 2012 and January 15, 2013, Mackie Research Capital Corporation ("Mackie") recommended and accepted orders for investment in the Trimor/CERL LP and Trimor/CERL Bonds (as defined below) without disclosing a conflict arising from a personal interest held by a Mackie employee in CERL, contrary to Dealer Member Rule 42;

(b) for approximately one year until September 2013, Mackie failed to report certain information in an accurate or timely way through the National Registration Database ("NRD"), contrary to Dealer Member Rule 3100; and

(c) between June 2007 and April 2010, Mackie failed to fully and properly supervise the activities of its then Registered Representative, Harry Richard Newman, contrary to IIROC Dealer Member Rules 38.4 and 2500 (previously Investment Dealers Association of Canada ("IDA") By-law No. 38 and Policy No. 2).

TERMS OF SETTLEMENT

¶ 3 Staff and the Respondent agree to the following terms of settlement:

a) The Respondent agrees to pay a fine of $130,000 to IIROC.

The Respondent agrees to pay costs to IIROC in the sum of $20,000.

THE CIRCUMSTANCES

¶ 4 The circumstances are set out, in detail, in the Statement of Facts contained in the Settlement Agreement. It is attached as Appendix "A" to these reasons for decision. The following is a brief summary of them.

¶ 5 Failure to disclose a conflict of interest: The Respondent hired a Registered Representative who had interests in certain investment products which were marketed by the Respondent. Those products were sold to 12 existing clients and 13 new investors. The Respondent knew of the conflict but failed to disclose it to the investors before they invested in the products. IIROC Staff raised the issue with the Respondent who advised the investors and offered them a right of rescission. There were no client losses.

¶ 6 Failure to promptly report information to the National Registration Database ("NRD"): During the years 2012 and 2013 the person responsible for filing information with NRD became ill. During that time the Respondent failed to ensure that its filings were made in an accurate and timely manner.

¶ 7 Failure to supervise a Registered Representative: During the period from early 2006 until early 2010 one of the Respondent's Registered Representatives charged excessive commissions to a client. There were warning signs as early as January 2006. There were several others during the years which followed.

¶ 8 The amount of commissions was very substantial. The client brought a civil action which was settled. The Registered Representative made a substantial contribution to the settlement.

SERIOUSNESS OF THE CONTRAVENTIONS

¶ 9 a) Conflict of Interest

While, in the result, there was no financial harm to clients, a conflict of interest potentially can seriously imperil a client's interests. Apart from that danger, conflicts of interest bring the integrity of the financial markets into disrepute.

b) Reporting to NRD

The information provided to NRD assists IIROC in its regulation of the financial industry. The failure to report information in an accurate and timely fashion can have a detrimental effect upon IIROC's ability to perform its supervisory responsibilities.

c) Failure to Supervise

A Member stands between a client and an unscrupulous Registered Representative. The failure of the Respondent to heed and react to the warning signs over a lengthy period of time exposed its client to financial abuse. This was a grievous breach of the Respondent's duty to its client.

CIRCUMSTANCES OF MITIGATION

¶ 10 In the determination of an appropriate penalty, it is always necessary to consider circumstances of mitigation. The circumstances of mitigation which we take into account in this case are:

(1) The Respondent cooperated fully with Staff during its investigation;

(2) By settling, the Respondent has saved the need for a lengthy and costly hearing. It has also indicated acceptance of its responsibilities.

DUTY OF A HEARING PANEL UPON A SETTLEMENT HEARING

¶ 11 We adopt what was said by the Hearing Panel in *re Portfolio Strategies Securities*, 2012 IIROC 36:

9. It is clear from jurisprudence emanating from the courts and from Hearing Panels of

IIROC, Investment Dealers Association and the Mutual Fund Dealers Association, that our task is not to decide whether, in this case, we would have arrived at the same decision as that reached by the parties. Rather, our duty is to determine whether the penalty is a reasonable one and that it meets the objectives of the disciplinary process which are to maintain the integrity of the investment industry. We cite from the recent decision of the Hearing Panel in *Re CIBC World Markets Inc.*, [2011] IIROC No. 38:

> 13 Finally, hearing panels will not lightly interfere with a negotiated settlement. As was said in *Re Milewski*, [1999] IDACD No. 17,
>
> > … a District Council considering a settlement agreement will tend not to alter a penalty that it considers to be within a reasonable range, taking into account the settlement process and the fact that the parties have agreed. It will not reject a settlement unless it views the penalty as clearly falling outside a reasonable range of appropriateness.
>
> 14 Or, as put by Winkler J. (albeit in another context) in *Gilbert v. CIBC*, [2004] O.J. 4260:
>
> > There is a presumption of fairness when a proposed class settlement negotiated at arms length … is presented to the court for approval. A court will only reject a proposed settlement when it finds that the settlement does not fall within a range of reasonableness.
> >
> > The test to be applied is whether the settlement is fair and reasonable … This allows for a range of possible results and there is no perfect settlement. Settlement is a product of compromise, which by definition, necessitates give and take.
>
> 15 In our view, the settlement, negotiated as it was by the parties assisted by capable counsel, does not clearly fall "outside a range of appropriateness" and it should therefore be, and was, accepted by the panel.

¶ 12 We share the opinion expressed by the hearing panel in *Re Vorstadt*, [2012] IIROC that the settlement process is an important one which should be "encouraged and supported".

GUIDELINES AND OTHER DECISIONS

¶ 13 In determining whether a settlement is a reasonable one, a hearing panel is entitled to look at regulatory guidelines and decisions in other cases. Guidelines are not binding upon a hearing panel and cannot derogate from its responsibility to decide what may be an appropriate penalty in a given case. However, they are useful in that they show what penalties members of the industry think are generally appropriate. There are no guidelines which suggest a range of penalties for these contraventions. We have considered the general principles enunciated in the IIROC Sanction Guidelines issued on February 2, 2015.

¶ 14 Decisions in other cases can often be of some assistance by helping to indicate what might be a reasonable range of monetary penalties. Counsel have referred us to a number of cases, the facts of which bear some resemblance to the want of supervision aspect of this case. They are: *Re Martens*, 2013 IIROC 40; *Re Laurentian Bank Securities Inc.*, 2012 IIROC 49; *Re Berkshire Securities Inc.*, 2011 IIROC 57 and *Re IPC Securities Corp.*, 2010 IIROC 24. Because no two cases are ever exactly the same we have decided not to examine any of these helpful cases in detail. When considered as a whole, however, they demonstrate clearly that the settlement, reached by the parties in this case, falls within a reasonable range when compared with penalties imposed in other not dissimilar cases.

IMPACT OF THE PENALTY

¶ 15 Monetary penalties are necessary to act as specific and general deterrence. The penalty, composed of a fine of $130,000 and costs of $20,000, is a significant penalty to the Respondent. The penalty is sufficient to

act as a specific deterrent to this Respondent and should be sufficient to alert all Members that failure to disclose a conflict of interest, failure to report information to NRD and failure to supervise a Registered Representative will attract significant consequences.

DECISION

¶ 16 After the hearing, we considered the circumstances of this case and reached the conclusion that the settlement was a reasonable one. Therefore, we accepted it.

DATED this 16 day of July 2015.

Patrick T. Galligan

Chair

David W. Kerr

Industry Representative

F. Michael Walsh

Industry representative

APPENDIX 'A'

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

IN THE MATTER OF:

THE RULES OF THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AND

MACKIE RESEARCH CAPITAL CORPORATION

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. IIROC Enforcement Staff ("Staff") and the Respondent, Mackie Research Capital Corporation ("Mackie"), consent and agree to the settlement of this matter by way of this agreement (the "Settlement Agreement").

2. IIROC's Enforcement Department has conducted an investigation into Mackie's conduct (the "Investigation").

3. 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

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

5. The Respondent admits to the following contraventions of IIROC Dealer Member Rules, Guidelines, Regulations or Policies:

   (a) between July 1, 2012 and January 15, 2013, Mackie recommended and accepted orders for investment in the Trimor/CERL LP and Trimor/CERL Bonds (as defined below) without disclosing a conflict arising from a personal interest held by a Mackie employee in CERL, contrary to Dealer Member Rule 42;

(b) for approximately one year until September 2013, Mackie failed to report certain information in an accurate or timely way through the National Registration Database ("NRD"), contrary to Dealer Member Rule 3100; and

(c) between June 2007 and April 2010, Mackie failed to fully and properly supervise the activities of its then Registered Representative, Harry Richard Newman, contrary to IIROC Dealer Member Rules 38.4 and 2500 (previously Investment Dealers Association of Canada ("IDA") By-law No. 38 and Policy No. 2).

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

a) The Respondent agrees to pay a fine of $130,000 to IIROC.

7. The Respondent agrees to pay costs to IIROC in the sum of $20,000.

III. STATEMENT OF FACTS

(i) Acknowledgment

8. 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

9. As detailed below Mackie failed to fully comply with certain regulatory requirements in the conduct of its business over the material period.

10. Mackie was known as Research Capital Corporation until its amalgamation with JF Mackie & Company Ltd. on January 31, 2010. Mackie has been an IIROC, and previously IDA, Dealer Member Firm since October 31, 1986.

11. Mackie Research Financial Corporation ("Mackie Financial") is Mackie's parent company and is not an IIROC member.

12. Trimor Capital Corporation ("Trimor") is a corporation registered in Alberta.

13. 1593333 Alberta Ltd. is a corporation registered in Alberta and is the general partner for the Trimor/CERL LP (defined below).

14. Trimor was the administrator for and 1593333 Alberta Ltd. (the "GP") was the general partner of, the following investment vehicles:

(a) Trimor Equip-Secure Monthly Income Limited Partnership ("Trimor/CERL LP") a limited partner which was the primary lender to Cameron Equipment Rentals Ltd. ("CERL"); and

(b) Trimor Equip-Secure Debenture Inc. a corporation which issued bonds ("Trimor/CERL Bonds") the proceeds of which were used to invest in the Trimor/CERL LP, thus indirectly funding a portion of the loan to CERL;

(together, the "CERL Products").

15. Kurt Soost ("Soost") was at all material times principally responsible for Trimor and the GP. He was registered as a Registered Representative with IIROC from November 21, 2012 to January 8, 2014.

16. Harry Richard Newman ("Newman") was registered as a Registered Representative and was employed by Mackie between August 23, 2001 and February 28, 2011.

A – FAILURE TO DISCLOSE TRIMOR CONFLICT

Mackie Financial Acquisition of Trimor

17. At the time that Soost was hired by Mackie, Mackie became aware of the potential conflicts between

Soost's role at Trimor and his role as an advisor at Mackie. Mackie advised Soost that he could not continue to operate Trimor as an outside business. To address the potential conflict, Mackie Financial acquired all of the shares of Trimor and the GP from Soost by way of Share Purchase Agreement dated May 31, 2012, for a closing on June 30, 2012. Mackie Financial made that acquisition in the context of Mackie hiring Soost as an investment advisor.

Mackie Sale of CERL Products

18. After Mackie Financial's acquisition of Trimor, Mackie opened new accounts for a significant number of previously participating investors in the CERL Products. Those accounts were all opened at Mackie's Calgary branch or a Calgary sub-branch by three advisors and by Soost once he became registered.

19. The clients deposited their previously purchased CERL Products into their new Mackie accounts. Mackie sold additional investment products to 12 of those investors after their accounts were opened at Mackie.

20. In addition to the previously participating investors in the CERL Products, Mackie also opened new accounts and sold CERL Products to 13 new investors after Mackie Financial's acquisition of Trimor.

Soost-Specific Conflict

21. At all material times, Soost had a personal interest in CERL which he earned in connection with his role at Trimor prior to its acquisition by Mackie Financial, as described below.

22. Pursuant to an agreement among Trimor/CERL LP, CERL and Trimor dated June 15, 2011, Trimor was entitled to earn an equity interest in CERL in exchange for funds raised. That earned interest was capped at 25 percent of CERL's shares. Trimor had already raised sufficient funds to earn the full 25 percent share interest in CERL prior to Trimor's acquisition by Mackie Financial and before Soost was employed by Mackie.

23. Prior to the acquisition by Mackie Financial, the right to receive the earned interest in CERL was transferred out of Trimor to Soost personally. Upon Soost commencing employment with Mackie, Mackie required that Soost's CERL shares be placed in escrow with CERL's lawyers. These shares remained in escrow until they were ultimately relinquished by Soost for nominal value and reissued to the investors in the CERL Products. These events occurred subsequent to the material time and for reasons unrelated to the issues in this proceeding.

24. Soost's remaining personal interest in CERL became known to Mackie prior to the completion of the Trimor acquisition.

25. Soost's potential remaining personal interest in the escrowed CERL shares represented a potential conflict in respect of the Trimor/CERL LP. While no further earn-in of CERL shares was available, there remained a potential conflict insofar as any further funds raised by Trimor and lent to CERL provided additional cash flow to maintain CERL's business operations. Those loans benefitted CERL shareholders, potentially including Soost.

Mackie Failed to Disclose Soost-Specific Conflict to Clients

26. Soost's conflict was known to Mackie prior to the Trimor acquisition but it failed to ensure that Soost's conflict had been disclosed to clients before selling them the CERL Products.

27. Mackie did not take any steps to address its failure to disclose Soost's conflict until the issue was raised by IIROC Business Conduct Compliance staff. After the issue was raised by IIROC, Mackie provided subsequent disclosure to affected investors and offered them a right of rescission.

28. The letter that Mackie sent to investors, dated May 24, 2013, advised among other things that "a holding company owned by Soost, the President of Trimor and, since November 21, 2012, an Investment Advisor employed by Mackie Research Capital Corporation, was given the right to acquire shares of CERL pursuant to an agency and administration service agreement dated June 15, 2011." The letter

then described Trimor's earn-in right.

29. Finally, in that letter, Mackie offered the 25 affected investors the right to cancel their purchase, in which case their partnership units would be redeemed for the original purchase price (which was $1.8 million in the aggregate) and interest would be paid to the date of redemption. Two clients took up the rescission offer for a total value of $150,000, but indicated that they were taking up the offer as they needed to liquidate their investments for reasons unrelated to the conflict.

Failure to Disclose Soost Conflict a Breach of Dealer Member Rules

30. Contrary to Dealer Member Rules 42.3 and 42.4, Mackie failed to disclose Soost's conflict to its affected clients prior to their investment in the Trimor/CERL LP and the Trimor/CERL Bonds.

B – NRD DEFICIENCIES

31. In 2012 Mackie's registrations officer went on temporary disability leave. Subsequently, due to serious health problems, she went on long-term disability leave. During this period until September 2013, Mackie failed to ensure that its required National Registration Database ("NRD") filings were always made in an accurate and timely manner.

32. Mackie's reports through NRD omitted material information, including the following:

    (a) In the initial application for registration for Soost in October 2012, Mackie listed the two outside business activities that Soost had disclosed to Mackie but after correspondence with IIROC staff, Mackie sought further information from Soost. Mackie ultimately filed an application in February 2013 which listed 10 outside business interests for Soost. These disclosures included passive investments.

    (b) One of Mackie's Registered Representatives went on a medical leave in February 2010 before ultimately resigning in April 2010, without returning to work in the interim. The absence and temporary responsibility for that Representative's clients were not reported on NRD as required.

    (c) In the NRD filing for one of its registered traders, Mackie listed only one hour a week for his work with an outside business activity. The trader's annual declaration forms to Mackie, however, listed 75% of his time devoted to his outside business activity in August 2012 and about 50% of his time in August 2013.

33. Had the foregoing information been properly recorded, Staff would have had an opportunity to address any possible concerns about those activities in a timely manner.

34. Mackie's failures to report its registrants' information through NRD in an accurate and timely manner were contrary to its reporting requirements in Dealer Member Rule 3100.

C – FAILURE TO SUPERVISE HARRY RICHARD NEWMAN

35. From June 2007 to April 2010, Mackie's Registered Representative Harry Richard Newman ("Newman") engaged in excessive trading in a client account. Newman earned approximately $900,000 in commissions from that one client's account alone. At its highest month-end point, that client account was valued at $2.8 million

36. Over the nearly three-year period, Mackie had opportunities to stop Newman's conduct and prevent this excessive amount of commissions from being charged to the client. It failed to do so. Mackie thereby failed to fully and properly supervise Newman, and thus failed to prevent the ensuing harm to the client.

Newman's Excessive Trading and Regulatory Sanctions

37. In a settlement agreement accepted by an IIROC Hearing Panel on September 24, 2012, Newman admitted that between June 2007 and April 2010 he engaged in excessive trading in a client account which was not within the bounds of good business practice and was unsuitable, contrary to IIROC Dealer Member Rules 1300.1 (o) and (p) (IDA Regulations 1300.1(o) and (p) prior to June 1, 2008).

38. Newman's client, MD, was a retired nurse who lived alone in southern Ontario. She had no children and had never married. MD was 69 years old when she first opened her account with Newman at Mackie, having been a client of Newman's at another dealer for ten years prior. Though MD had substantial net worth, she had limited investment knowledge and relied entirely on Newman for advice and all trading in her account.

39. From June 2007 to April 2010, Newman executed approximately 290 trades in MD's account, over 80% of which were for purchases or sales of shares of large Canadian banks. The month-end value of MD's account over that period was approximately $2.8 million at its peak and was as little as approximately $1.7 million at its lowest point. During this period MD withdrew approximately $213,000 and the closing value of her account was approximately $2.0 million.

40. Newman's trading in MD's account constituted excessive trading that was unsuitable and outside the bounds of good business practice in light of MD's net worth, risk profile, age and income preferences.

41. MD brought a lawsuit against Mackie and Newman in January 2012. Newman contributed $680,000 to a payment to MD in connection with that lawsuit, thereby making a significant contribution toward the agreed restitution to MD.

42. Newman and Staff agreed to the following regulatory sanctions: (a) Newman was permanently prohibited from approval for registration with IIROC; and (b) Newman paid IIROC the sum of $5,000 to reflect the costs that Staff incurred in connection with this matter.

Supervision Activities – 2007 to 2011

43. **2006** – As early as January 2006, Newman's Branch Manager raised concerns regarding Newman's high level of commissions with Mackie's then Chief Compliance Officer.

44. **2007 –** As early as January 2007, Mackie's then Vice-President, Compliance advised Newman's former Branch Manager that Newman should be required to keep careful notes regarding trades of securities within the same sectors and that his commissions were high. He further suggested that Newman's method of trading, commissions charged and same-sector trading warranted scrutiny.

45. Later, in early September 2007, Newman's former Branch Manager noted concerns with Mackie's Vice-President, Compliance about Newman's high commissions.

46. In each of June, September, November and December 2007, Newman charged in excess of $20,000 in commission to MD's account, with a high of more than $32,000 charged in December 2007 alone.

47. **2008 –**A new Branch Manager began overseeing Newman in September 2008. He conducted an audit of Newman's sub-branch. He did not note any prior material issues or current issues in the course of his audit.

48. Then starting in December 2008, compliance staff raised concerns about Newman's high commission rates with each of Newman's Branch Manager and Mackie's Chief Compliance Officer.

49. **2009 –** At various points throughout 2009, Mackie's compliance staff continued to raise concerns about Newman's high commissions and discussions ensued between Newman's Branch Manager and Mackie's Compliance Department as to how to address the issue.

50. In early 2009, concerns about Newman's high commission rates were first raised at a meeting of Mackie's risk committee. The Branch Manager was to meet with Newman to discuss the trading and strategy. Newman provided an explanation for his trading for MD and stated that MD discussed and approved it all.

51. Then on July 8, 2009, Newman's Branch Manager contacted MD by telephone. In their discussion, MD confirmed that she was aware of all of the transactions in her account and she was aware of all of the commissions. MD spoke highly of Newman. She also confirmed that Newman spoke with her before entering any trades.

52. Notwithstanding his call with MD in July 2009, Newman's Branch Manager continued to monitor Newman's commission levels.

53. In each of nine different months in 2009, Newman charged in excess of $30,000 in commissions to MD's account alone. In December 2009, Newman charged a high of more than $70,000 in commissions to MD's account.

54. In February 2010, a Mackie compliance officer raised concerns about the commissions charged to MD's account. On February 12, 2010, Mackie's Chief Compliance Officer reported again on Newman's commissions to Mackie's risk committee. Newman's Branch Manager attended at the February 23, 2010 risk committee meeting to speak about Newman.

55. Following the risk committee meeting, on March 1, 2010, Newman's Branch Manager was told to again contact MD directly. Unlike their discussion in July 2009, he noted that MD now sounded unsophisticated, although she advised that she continued to trust Newman.

56. After his discussion with MD on March 1, 2010, Newman's Branch Manager directed Newman to cease any activity in MD's account.

57. In May 2010, MD and her accountant complained to Mackie about the commission levels in her account and directed MD to speak to legal advisers. Mackie endeavoured to obtain clearer information concerning the MD situation and the issue of Newman's previous commissions through the summer and fall of 2010. A civil action ensued but it was settled between the parties.

58. **2011 –** Newman was dismissed for cause on March 1, 2011 approximately four years after the date when first concerns about Newman's commissions were raised and after Mackie had subsequent indications of the continuing conduct but failed to take adequate steps to stop it.

Failure to Supervise a Breach of Dealer Member Rules

59. Mackie failed to fully and properly supervise the activities of its then Registered Representative, Newman, contrary to IIROC Dealer Member Rules 38.4 and 2500 (previously IDA By-law No. 38 and Policy No. 2).

V. TERMS OF SETTLEMENT

60. 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.

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

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

63. 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.

64. If the Hearing Panel accepts the Settlement Agreement, the Respondent waives its right under IIROC rules and any applicable legislation to a disciplinary hearing, review or appeal.

65. 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.

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

67. 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.

68. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately upon the effective date of the Settlement Agreement.

69. 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 Toronto in the Province of Ontario, this 16th day of June 2015.

_____	***"Patrick Walsh"***
Witness	**Mackie Research Capital Corporation**
	Per: Patrick Walsh
	"I have authority to bind the corporation"

AGREED TO by Staff at the City of Toronto in the Province of Ontario, this 17th day of June 2015.

"Katie Trotman"	*"Alexandra Clark*
Witness	**Alexandra Clark**
	Director, Enforcement Litigation on behalf of Staff of the Investment Industry Regulatory Organization of Canada

ACCEPTED at the City of Toronto in the Province of Ontario, this 8th day of July, 2015, by the following Hearing Panel:

Per: *"Patrick Galligan"*

Panel Chair

Per: *"David Kerr"*

Panel Member

Per: *"Michael Walsh"*

Panel Member