INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

IN THE MATTER OF:

THE RULES OF THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

AND

IVAN JACOBSEN

AND

KEITH JACOBSEN

SETTLEMENT AGREEMENT

I. INTRODUCTION

- 1. IIROC Enforcement Staff and each Respondent, Ivan Jacobsen ("Ivan") and Keith Jacobsen ("Keith") consent and agree to the settlement of this matter by way of this settlement agreement (the "Settlement Agreement").
- 2. The Enforcement Department of IIROC has conducted an investigation (the "Investigation") into the conduct of both Ivan and Keith (the "Respondents").
- 3. On June 1, 2008, IIROC consolidated the regulatory and enforcement functions of the Investment Dealers Association of Canada ("IDA") and Market Regulation Services Inc. Pursuant to the Administrative and Regulatory Services Agreement between the IDA and IIROC, effective June 1, 2008, the IDA has retained IIROC to provide services for the IDA to carry out its regulatory functions.
- 4. The Respondents consent to be subject to IIROC's jurisdiction.

5. The Investigation discloses matters for which the Respondents 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

- 6. Staff and the Respondents jointly recommend that the Hearing Panel accept this Settlement Agreement.
- 7. The Respondents admit the following contraventions of IIROC Rules and IDA By-Laws:
 - a) Keith admits that between July 2010 and January 2011, he acted contrary to IIROC Dealer Member Rule 1300.1 (a) by failing to use due diligence to ensure that his clients qualified as "accredited investors" as defined in National Instrument 45-106 before facilitating their purchase of securities offered pursuant to prospectus exemptions.
 - b) Ivan admits that between July 2010 and January 2011, he acted contrary to IIROC Dealer Member Rule 1300.1 (a) by failing to use due diligence to ensure that his clients qualified as "accredited investors" as defined in National Instrument 45-106 before facilitating their purchase of securities offered pursuant to prospectus exemptions.
 - c) Ivan admits that between September 2007 and June 2008, he acted contrary to IDA By-law 29.1 by allowing his assistant RM, from time to time and when Ivan was not available to do so, to accept trading instructions and place orders for clients before he was properly licensed to do so.
- 8. Staff and Keith agree to the following terms of settlement:
 - a) Keith shall pay a \$15,000 fine;
 - b) Keith will also pay an additional \$2,096, the amount he earned in commissions as a result of the violation;
 - c) Before he can re-register in any capacity with a Dealer Member firm, Keith must successfully complete the Conduct and Practices Handbook Course through the Canadian Securities Institute.

- 9. Staff and Ivan agree to the following terms of settlement:
 - a) Ivan shall pay a \$25,000 fine;
 - b) Ivan will also pay an additional \$2,096, the amount he earned in commissions as a result of the violation;
 - c) Ivan is permanently prohibited from acting in any supervisory capacity for a Dealer Member firm;
 - d) Before he can re-register in any capacity with a Dealer Member firm, Ivan must successfully complete the Conduct and Practices Handbook Course through the Canadian Securities Institute.
- 10. In addition to the fines agreed to above Ivan and Keith shall each pay \$2,500 to IIROC as a contribution towards IIROC's investigation and prosecution costs, for a total of contribution of \$5,000.

III. STATEMENT OF FACTS

(i) Acknowledgment

11. Staff and the Respondents 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

12. From July 2010 through January 2011 when they were both RRs and working at the Whitehorse branch of Canaccord Capital Corporation, Ivan and Keith sold prospectus exempt securities to clients whom they knew, or ought to have known, were not qualified to purchase them. Separately, from September 2007 to June 2008, Ivan, who was a supervising branch manager, instructed and allowed an unlicensed assistant to

accept trading instructions and place orders on behalf of clients in Ivan's absence before that person became registered.

The Respondents and the Whitehorse office

- 13. Ivan was first registered in 1993. Keith, who is Ivan's son, was first registered in 2003.
- 14. At the material time, Ivan and Keith worked together in a partnership at Canaccord's Whitehorse office and shared all of the commissions which were generated from transactions. The Whitehorse office was a small office and only included people who worked for Ivan's team.
- 15. Beginning in August 2007, Keith essentially stopped working at Canaccord in order to pursue other business interests. By January 2009, he had officially surrendered his registration. He later reinstated his registration from April 2010 January 2011.
- 16. To replace Keith, in August 2007, Ivan hired RM to work as his assistant. Although RM planned to obtain his securities license, he was not properly licensed until June 2008.
- 17. Although RM was not licensed, Ivan still instructed and allowed RM to accept trading instructions and place orders for clients, starting in September 2007.
- 18. Like Keith, RM was compensated with a percentage from the commissions generated from all transactions in the office.
- 19. By April 2010, Keith had returned to work full time as an RR. After April 2010, Keith, Ivan and RM shared the commissions three ways.
- In May 2011, RM contacted Canaccord head office and advised them of the unregistered activity he had engaged in. RM also provided information regarding the

- sale of private placements at the Whitehorse office. In response to RM's allegations, Ivan resigned and the Whitehorse office of Canaccord was closed.
- 21. Neither Ivan nor Keith is currently registered with a Dealer Member firm. Ivan is 67 years old. He is retired and no longer registered with IIROC. IIROC acknowledges that Ivan does not intend to seek registration in any capacity, or return to the industry.

Private Placements and Accredited Investors

- 22. The Respondents' business included selling securities which were offered for sale by issuing companies without a prospectus having been filed. Canadian securities legislation dictates that unless the purchasing client qualifies for an established exemption, the sale of such securities commonly known as private placements is prohibited.
- 23. One of the most commonly recognized and relied upon exemptions is known as the Accredited Investor Exemption. An "accredited investor" may properly purchase a private placement.
- 24. The Accredited Investor Exemption is established by National Instrument 45-106. It identifies various factors which qualify an individual as an "accredited investor". One of the more commonly relied upon factors is ownership of "financial assets exceeding \$1,000,000." Specifically, this qualification is set out in section 2.3 (j) as follows:
 - (j) an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000.
- 25. "Financial Assets" are further defined to include cash and securities but not real estate or a personal residence.
- 26. Over seven months from July 2010 through January 2011, the Respondents' clients purchased exempt securities by submitting documents attesting to the fact that they

were an "accredited investor" because they had financial assets exceeding \$1,000,000. The endorsement of the necessary documents and the resulting purchase of exempt securities were facilitated by the Respondents.

- 27. During this period, the Respondents, working together, allowed unqualified clients to participate in eight different private placements. At least 21 unqualified clients made 31 purchases totaling \$167,758. The lowest single transaction was \$2,000 and the highest was \$42,000. The next highest transaction was \$14,000 and the average was \$5,400.
- 28. In facilitating the transactions, the Respondents gave no consideration to the Accredited Investor Exemption and simply completed whatever paperwork would enable the clients to make the purchase.

IV. TERMS OF SETTLEMENT

- 29. 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.
- 30. The Settlement Agreement is subject to acceptance by the Hearing Panel.
- 31. The Settlement Agreement shall become effective and binding upon the Respondents and Staff as of the date of its acceptance by the Hearing Panel.
- 32. 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.
- 33. If the Hearing Panel accepts the Settlement Agreement, the Respondents waive their rights under IIROC rules and any applicable legislation to a disciplinary hearing, review or appeal.

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34. If the Hearing Panel rejects the Settlement Agreement, Staff and the Respondents may

enter into another settlement agreement; or Staff may proceed to a disciplinary hearing

in relation to the matters disclosed in the Investigation.

35. The Settlement Agreement will become available to the public upon its acceptance by

the Hearing Panel.

36. Staff and the Respondents 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.

37. Unless otherwise stated, any monetary penalties and costs imposed upon the

Respondents are payable immediately upon the effective date of the Settlement

Agreement.

38. 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.

39. This Settlement Agreement may be signed in counterparts.

AGREED TO by the Respondent Ivan Jacobsen at Whitehorse, Yukon this 5th day of June, 2013.

"Graham E. C. Lang" "Ivan Jacobsen"
WITNESS RESPONDENT

AGREED TO by the Respondent Keith Jacobsen at Whitehorse, Yukon this 5th day of June, 2013
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<u>"Gral</u>	ham E. C. Lang"	"Keith Jacobsen"
WITN	NESS	RESPONDENT
Agri	EED TO by IIROC Staff at Vancouver, B	ritish Columbia this 14 th day of June, 2013.
<u>"Shar</u> With	nnon Mathieson" NESS	"Paul Smith" PAUL SMITH Senior Enforcement Counsel on behalf of Staff of the Investment Industry Regulatory Organization of Canada
ACCI Panel		this 29th day of July, 2013, by this IIROC Hearing
Per:	"John Rogers" Panel Chair	
Per:	"Robert Travers" Panel Member	
Per:	"Michael Johnson" Panel Member	