

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

IN THE MATTER OF:

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

AND

JAMES FREDERICK NORMAN MACKIE

AND

TRICIA JOANNE LEADBEATER

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. IIROC Enforcement Staff (“Staff”) and the Respondents, James Frederick Norman Mackie and Tricia Joanne Leadbeater (“Respondents”), consent and agree to the settlement of this matter by way of this agreement (the “Settlement Agreement”).
2. The Enforcement Department of IIROC has conducted an investigation (“the Investigation”) in the conduct of James Frederick Norman Mackie and Tricia Joanne Leadbeater (“Respondents”).
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 Respondents jointly recommend that the Hearing Panel accept this Settlement Agreement.
5. The Respondents admit to the following contraventions of IIROC Dealer Member Rules, Guidelines, Regulations or Policies:

James Mackie

- a) In April, 2010, he recommended and accepted orders for 14 clients in a public offering of securities without disclosing a conflict of interest, contrary to Dealer Member Rule 29.1;

Tricia Leadbeater

- b) In April, 2010, she used discretionary authority to purchase securities for 7 managed account clients without disclosing a conflict of interest, contrary to Dealer Member Rule 29.1; and
- c) In April, 2010, she failed to obtain written consent from managed account clients prior to participating in a public offering of securities in which her firm was acting as underwriter, contrary to IIROC Rule 1300.19(c)

6. Staff and the Respondents agree to the following terms of settlement:

James Mackie

- a) pay a fine to IIROC in the sum of thirty thousand dollars (\$30,000); and
- b) pay costs to IIROC in the sum of two thousand five hundred (\$2,500).

Tricia Leadbeater

- a) pay a fine to IIROC in the sum of forty thousand dollars (\$40,000); and
- b) pay costs to IIROC in the sum of two thousand five hundred (\$2,500).

III. STATEMENT OF FACTS

(i) Acknowledgment

7. 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

8. The Respondents were part of an employee group at a Dealer Member firm that lent funds to a client who was a senior officer of a publicly traded issuer. While the loan to the officer was still outstanding, the Dealer Member agreed to participate in a syndicate, lead by another Dealer Member, to underwrite a debenture offering of the issuer.

9. The conflict of interest arising from the outstanding loan was not properly disclosed to the clients who purchased the securities (some of whom held managed accounts).
10. In addition, the managed account clients were not given advance notice that the Dealer Member was participating in a syndicate underwriting the offering. The managed account clients were advised approximately 4 months after their investment. No clients unwound their transactions upon receipt of this information.

Parties

11. At the time of the loan, the two Respondents were registrants with J.F. Mackie & Company Ltd (“JF Mackie”), a Dealer Member firm in Calgary:
 - a. James Mackie, Registered Representative; and
 - b. Tricia Leadbeater, Portfolio Manager.
12. On April 7, 2009 JF Mackie was acquired by Research Capital Holding Corporation (“RCHC”). JF Mackie and its carrying broker, Research Capital Corporation (also a subsidiary of RCHC), continued to operate as separate IIROC Dealer Member firms.
13. On January 31, 2010, JF Mackie and Research Capital Corporation were reorganized to form a single Dealer Member firm, Mackie Research Capital Corporation (“Mackie Research”).

The Loan

14. In September 2009, a group of employees in the Calgary branch of JF Mackie, including the Respondents Mackie and Leadbeater, agreed to provide a personal loan to a client, DW (the “Loan”). DW was also a senior officer of a publicly traded issuer (the “Issuer”).
15. Prior to advancing the Loan, the employees conferred with the Calgary Branch Manager and Chief Compliance Officer for JF Mackie, who approved and confirmed that the Loan could go ahead. In addition, compliance staff of Research Capital Corporation, were aware of the Loan.
16. The Loan was formalized in a Loan Agreement dated September 18, 2009. DW agreed to pay interest of 18% per annum, with full repayment in 6 months.
17. On September 19, 2009, the funds were transferred from the lending employees’ JF Mackie accounts to DW’s bank account.
18. The total amount of the Loan was \$4.5 million, which included contributions by the Respondents Mackie (\$1,750,000) and Leadbeater (\$100,000).
19. In November of 2009, repayment of the Loan was extended to May 4, 2010.

Debenture Offering

20. On March 10, 2010, the Issuer announced a \$55M bought deal debenture offering (the "Offering").
21. By letter agreement dated April 1, 2010, while the Loan to DW was still outstanding, Mackie Research was engaged as part of a syndicate to underwrite the Offering, led by another Dealer Member. There were three other members of the syndicate. The underwriting engagement agreement was signed by DW on behalf of the Issuer.
22. The Offering went ahead and debentures were issued under a prospectus dated April 12, 2010, and it closed on April 16, 2010.
23. On May 4, 2010, DW repaid the Loan in full, with interest.

Conflict of Interest

24. The Loan involved personal financial dealings with a client, DW. A conflict of interest arose when Mackie Research was engaged as one of the syndicate underwriters in the Offering of the Issuer, as the client, DW, was a senior officer of the Issuer but was also indebted to the Respondents. There was therefore an undeclared, but indirect, conflict of interest for the Respondents Mackie and Leadbeater each time they recommended the purchase of the securities to their clients.

James Mackie

25. James Mackie, an advisor and a Registered Representative, recommended and accepted orders for 14 clients in the Offering, but he did not give these clients prior notice of the Loan.
26. The failure to give his clients prior notice of the Loan was a failure to disclose a conflict of interest, and as such is conduct unbecoming contrary to Dealer Member Rule 29.1.

Tricia Leadbeater

27. Tricia Leadbeater, a Portfolio Manager, purchased debentures in the Offering for 7 of her managed account clients through the exercise of her discretionary trading authority, but she did not give these clients prior notice of the Loan.
28. In addition, Leadbeater did not give these clients prior notice that Mackie Research was an underwriter of the Offering and its debentures that she purchased for them. However,

the clients were advised after the fact, and no client unwound their investment upon receipt of this information.

29. The failure to give her clients prior notice of the Loan was a failure to disclose a conflict of interest, and as such is conduct unbecoming contrary to Dealer Member Rule 29.1.
30. In addition, the failure to give clients prior notice that Mackie Research was an underwriter of the Offering was a violation of Rule 1300.19(c).

IV. TERMS OF SETTLEMENT

31. 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.
32. The Settlement Agreement is subject to acceptance by the Hearing Panel.
33. The Settlement Agreement shall become effective and binding upon the Respondents and Staff as of the date of its acceptance by the Hearing Panel.
34. 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.
35. If the Hearing Panel accepts the Settlement Agreement, the Respondents waive his/her/its right under IIROC rules and any applicable legislation to a disciplinary hearing, review or appeal.
36. 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.
37. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel.
38. 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.
39. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondents are payable immediately upon the effective date of the Settlement Agreement.
40. 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 Calgary in the Province of
Alberta, this 21 day of September, 2015.

“Witness”

Witness

“James Mackie”

James Mackie

AGREED TO by the Respondent at the City of Calgary in the Province of
Alberta, this 21 day of September, 2015.

“Witness”

Witness

“Tricia Leadbeater”

Tricia Leadbeater

AGREED TO by Staff at the City of Calgary in the Province of Alberta,
this 23 day of September, 2015.

“Witness”

Witness

“David McLellan”

David McLellan
Senior Enforcement Counsel on
behalf of Staff of the Investment
Industry Regulatory Organization of
Canada

ACCEPTED at the City of Calgary in the Province of Alberta,
this 9 day of October, 2015 , by the following Hearing Panel:

Per: “Eric Spink”
Panel Chair

Per: “Bradley Whyte”
Panel Member

Per: “Martin Davies”
Panel Member