

IN THE MATTER OF THE SECURITIES ACT
R.S.N.S. 1989, CHAPTER 418, AS AMENDED ("Act")

- AND -

IN THE MATTER OF RAYMOND G. COURTNEY ("Respondent")

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The parties to this Settlement Agreement ("Agreement") are the Respondent and Staff of the Nova Scotia Securities Commission.
2. The parties agree that the Nova Scotia Securities Commission ("Commission") has jurisdiction over this matter.
3. The parties agree to recommend to the Commission approval of this Agreement in accordance with the terms and process set out herein.

PART II – PROCEDURE FOR APPROVAL OF THE AGREEMENT

4. Staff of the Commission ("Staff") agrees to request that a Notice of Hearing be issued setting down a hearing ("Settlement Hearing") wherein the Commission will consider whether it is in the public interest to approve this Agreement and to issue an Order in the form attached as Schedule "A".
5. The parties agree that the Agreement constitutes the entirety of evidence to be submitted to the Commission at the Settlement Hearing.
6. Staff agrees to recommend that the allegations acknowledged and admitted by the Respondent be resolved and disposed of in accordance with this Agreement.
7. The Parties acknowledge that this Agreement will become a public document upon its approval by the Commission at the Settlement Hearing.

PART III – STATEMENT OF AGREED FACTS

8. Staff and the Respondent agree with the facts and conclusions set out in this Part of the Agreement.



9. The Respondent is a Nova Scotia resident. In 1994 the Respondent and a partner incorporated MicroNet Information Systems Limited ("MicroNet"), a private company, and thereafter MicroNet carried on business as a supplier of IT solutions to the public and private sector in Atlantic Canada.
10. Beginning in 1999, the Respondent and his business partner entered into negotiations with officers and directors of Knowledge House Inc. ("KHI"), whereby the Respondent and his business partner would sell their shares in MicroNet to KHI in exchange for KHI shares. An agreement was reached between the Respondent, his business partner and KHI and the purchase of MicroNet by KHI occurred in June 1999.
11. From December 1999 to August 2001 ("Relevant Period") KHI was a reporting issuer in Nova Scotia and its shares were traded publicly on the Toronto Stock Exchange ("Exchange").
12. During the Relevant Period the Respondent:
 - a. was a director and officer of KHI;
 - b. held investment accounts at National Bank Financial Limited ("NBFL"), which were being managed by Bruce Elliot Clarke ("Clarke"), Investment Advisor; and
 - c. held investment accounts at Bank of Montreal Nesbitt Burns ("BMONB").
13. Clarke owned and controlled 2317540 Nova Scotia Limited and, during the Relevant Period, operated an account at NBFL in the name of 2317540 Nova Scotia Limited ("540 Account").
14. Clarke was introduced to the Respondent as KHI's investment advisor and "market maker".
15. During the Relevant Period, the Respondent on one occasion loaned KHI shares to the 540 Account, which Clarke used for the purpose of executing trades of KHI shares through the 540 Account and other trading accounts which had the effect of manipulating the publicly traded price of KHI shares. This information was not generally disclosed to the public.
16. During the Relevant Period, the Respondent:
 - a. was in a special relationship with KHI, and he purchased and sold KHI shares with the knowledge of material facts and changes relating to KHI



that were not generally disclosed to the public, thereby breaching section 82(1) of the Act;

- b. failed to file reports disclosing the changes in his direct ownership, control or direction over KHI shares within ten days following the end of the month in which the changes took place, and therefore breached section 113(2) of the Act, as am. by *Securities Act (amended)*, S.N.S. 2006, c. 46; and
- c. failed to file reports with the Director disclosing that he transferred, or caused to be transferred, KHI shares into the name of an agent, nominee or custodian, thereby breaching section 116 of the Act, as am. by *Securities Act (amended)*, S.N.S. 2006, c. 46.

PART IV – STATEMENT OF ALLEGATIONS ACKNOWLEDGED AND ADMITTED BY THE RESPONDENTS

- 17. The Respondent acknowledges and admits that he violated sections 82(1), 113(2) and 116 of the Act, as am. by *Securities Act (amended)*, S.N.S. 2006, c. 46.
- 18. The Respondent acknowledges that, by violating sections 82(1), 113(2) and 116 of the Act, as am. by *Securities Act (amended)*, S.N.S. 2006, c. 46, his actions undermined investor confidence in the fairness and efficiency of capital markets in Nova Scotia and were contrary to the public interest.
- 19. The Respondent admits the facts set forth in Part III herein and acknowledges that he violated Nova Scotia securities laws.

PART V - MITIGATING FACTORS

- 20. The Respondent acknowledges and accepts responsibility for his conduct which is the subject matter of this Agreement.
- 21. The Respondent cooperated with the investigation of this matter.
- 22. The Respondent was not aware that his actions during the Relevant Period violated Nova Scotia securities laws.
- 23. The Respondent regrets his actions and the violation Nova Scotia securities laws.



24. During the relevant period the Respondent, who had never before been a director of a publicly traded company, relied upon the advice of Clarke and other directors and officers of KHI, including R. Blois Colpitts ("Colpitts"), as to the propriety of any actions he took.
25. While acting as a director of KHI, the Respondent assumed that:
 - a. He could rely on the knowledge and experience of other officers and directors of KHI, including Colpitts, as to the appropriateness of any actions he was asked to take; and
 - b. He could rely on the knowledge and experience of Clarke as to the appropriateness of any actions he was asked to take.
26. As a result of the collapse of KHI, the Respondent lost his entire investment in his former company MicoNet.
27. The Respondent has not served as an officer nor director of any publicly traded company since the collapse of KHI.

PART VI – TERMS OF SETTLEMENT

28. The terms of settlement are set forth in the order contained in Schedule "A" to this Agreement which is expressly incorporated herein.
29. The Respondent consents to the order contained in Schedule "A".

PART VII – COMMITMENTS

30. If this Agreement is approved and the Order as set out in Schedule "A" is granted, the parties agree to waive any right to a full hearing and judicial review and appeal of this matter.
31. If this Agreement is approved by the Commission, the parties will not in any way make any statement, public or otherwise, that is inconsistent with the terms of this Agreement.
32. If this Agreement is approved by the Commission, the Respondent agrees to abide by all terms of this Agreement as set out in the Order attached as Schedule "A".



33. If, for any reason whatsoever, this Agreement is not approved, or the Order set forth in Schedule "A" is not granted by the Commission:
- a. Staff and the Respondent will be entitled to proceed to a hearing of the allegations which are the subject matter of this Agreement unaffected by the Agreement or the settlement negotiations;
 - b. The terms of the Agreement will not be raised in any other proceeding or disclosed to any person except with the written consent of Staff and the Respondent or as may otherwise be required by law; and
 - c. The Respondent agrees that he will not raise in any proceeding the Agreement or the negotiations or process of approval thereof as a basis of any attack or challenge of the Commission's jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other challenge that may otherwise be available.
34. If, in the view of Staff and prior to the approval of this Agreement by the Commission, there are new facts or issues of substantial concern regarding the facts set out in Part III of this Agreement, Staff will be at liberty to withdraw from this Agreement. Notice of such intention will be provided to the Respondent in writing. In the event of such notice being given, the provisions of paragraph 33 in this Part will apply as if this Agreement had not been approved in accordance with the procedures set out herein.

PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT

35. Staff or the Respondent may refer to any or all parts of this Agreement as required by the General Rules of Practice and Procedure and in the course of the Settlement Hearing. Otherwise, this Settlement Agreement and its terms will be treated as confidential by all parties to it until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission.



PART IX – EXECUTION OF SETTLEMENT AGREEMENT

36. This Agreement may be signed in one or more counterparts that together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

Dated this 21st September day of ~~July~~ 2010.

SIGNED, SEALED AND DELIVERED
In the presence of:



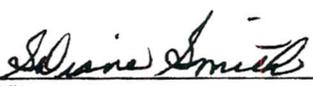
Witness



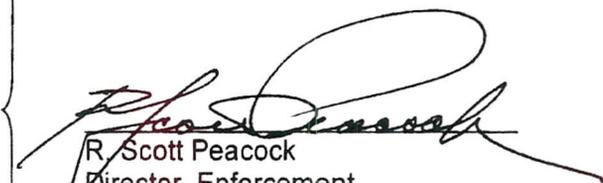
Raymond G. Courtney

Dated this 21st September day of ~~July~~ 2010.

SIGNED, SEALED AND DELIVERED
In the presence of:



Witness

Staff of the Nova Scotia Securities
Commission


R. Scott Peacock
Director, Enforcement
Nova Scotia Securities Commission

SCHEDULE "A"

IN THE MATTER OF THE SECURITIES ACT
R.S.N.S. 1989, CHAPTER 418, AS AMENDED ("Act")

- AND -

IN THE MATTER OF RAYMOND G. COURTNEY ("Respondent")

ORDER

(Sections 134, 135 and 135A)

WHEREAS on _____, 2010 the Nova Scotia Securities Commission ("Commission") issued a Notice of Hearing to the Respondent pursuant to sections 134, 135 and 135A of the Act;

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the Commission ("Staff") whereby it agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND WHEREAS Staff and the Respondent recommended approval of the settlement agreement;

AND WHEREAS the Commission is of the opinion that the Respondent has contravened the Act and it is in the public interest to make this Order;

AND UPON reviewing the settlement agreement;

AND UPON and upon hearing submissions of counsel for Staff and the Respondent;

IT IS HEREBY ORDERED that:

1. the settlement agreement dated _____, 2010, a copy of which is attached, is approved;
2. pursuant to section 134(1)(c) of the Act, the Respondent shall be prohibited from becoming or acting as a director or officer of any issuer for a period of two (2) years from the date of this Order;
3. pursuant to section 135 of the Act, the Respondent shall pay an administrative penalty in the amount of twelve thousand five hundred dollars (\$12,500.00) forthwith;
4. pursuant to section 135A of the Act, the Respondent shall pay costs in connection with the investigation and conduct of the proceedings before the

Commission in the amount of Two Thousand, Five Hundred Dollars
(\$2,500.00) forthwith.

DATED at Halifax, Nova Scotia, this _____ day of _____, 2010.



NOVA SCOTIA SECURITIES COMMISSION

(Chairman)