

**IN THE MATTER OF THE SECURITIES ACT,
R.S.N.S. 1989, C. 418, as amended (the “Act”)**

-AND-

**IN THE MATTER OF
SELECT MONEY STRATEGIES INCORPORATED (the “Respondent”)**

SETTLEMENT AGREEMENT

I INTRODUCTION:

- a. By Notice of Hearing dated the 19th day of January 2005, (the “Notice of Hearing”), the Nova Scotia Securities Commission (the “Commission”) announced that it proposed to hold a hearing to consider whether, pursuant to section 135 and 135A of the Act, in the opinion of the Commission, it is in the public interest for the Commission:
 - i. to make an order pursuant to section 135(a) of the Act determining that the Respondent has contravened the Act or the regulations;
 - ii. to make an order pursuant to section 135(b) that the Respondent] should pay an administrative penalty in an amount to be determined by the Commission upon hearing staff of the Commission, who will recommend an administrative penalty of ten thousand dollars (\$10,000.00); and
 - iii. to make an order pursuant to section 135A of the Act that the Respondent should pay costs in connection with the staff’s investigation and conduct of the proceedings in an amount to be determined by the Commission upon hearing staff of the Commission, who will recommend an order for costs in the amount of three thousand dollars (\$3,000.00).

II JOINT SETTLEMENT RECOMMENDATION

- a. Staff of the Commission (“staff”) agree to recommend settlement of the proceedings initiated in respect of the Respondent by the Notice of Hearing in

accordance with the terms and conditions set out below. The Respondent agrees to the settlement on the basis of the facts agreed to as hereinafter provided and the Respondent consents to the making of an order in the form attached as Schedule “A” on the basis of the facts set out below in respect to the violation of the Act.

- b. This settlement agreement including the attached Schedule “A”(collectively the “Settlement Agreement”), will be released to the public only if and when the settlement is approved by the Commission.

III SETTLEMENT OF FACTS AND CONCLUSIONS

Acknowledgment

- a. Staff and the Respondent agree with the facts and conclusions set out in Part III of the Settlement Agreement.

Introduction

- b. The Respondent is a Nova Scotia limited liability company, incorporated and registered on the 27th day of February 1996. Patrick Graves is registered as Director and Recognized Agent of the Respondent as at the 18th day of January 2005.

Facts

- c. The Respondent was granted registration by the Commission as a mutual fund dealer on the 29th day of October 1996.
- d. The Respondent was admitted to membership of the Mutual Fund Dealers Association of Canada (the “ M.F.D.A.”)on the 16th day of April 2003.
- e. An examination of the books, records and procedures employed by the Respondent was made by staff on the 17th day of November 2003 and a further examination of the books, records and procedures of the Respondent was conducted by staff of the M.F.D.A. on the 1st day of March 2004 .

- f. Between the dates of the 17th day of November 2003 and the 30th day of January 2004 (the “relevant period”) the Respondent was subject to regulation by the Commission and the M.F.D.A.
- g. The Respondent failed, during the relevant period, to maintain procedures required to maintain books and records necessary to record properly its business transactions and financial affairs and did thereby fail to comply with section 30(1) of the General Securities Rules.
- h. The Respondent failed during the relevant period, to establish procedures for dealing with its clients that enabled it to serve its clients adequately and did thereby fail to comply with section 31(1)(a)(ii) of the General Securities Rules.

Conduct Contrary to the Public Interest

- i. These failures resulted in contravention by the Respondent of the regulations which includes the General Securities Rules and the Respondent thereby acted in a manner contrary to the public interest.

IV POSITION OF THE RESPONDENT

- a. The Respondent states and it is acknowledged by staff that the Respondent cooperated throughout the investigation by staff and further by entering into this Agreement has acknowledged its violation of the General Securities Rules and has saved staff and the Commission expense and time.
- b. The Respondent believes that where information was not recorded on new account application forms that at the time that additional information in relation to the accounts was gathered and recorded in some other manner such that the suitability of trades could be reviewed and considered.
- c. The Respondent states and it is acknowledged by staff that the Respondent has implemented new practices and procedures which were subsequently followed by the Respondent with respect to securing and recording know your client information (“K.Y.C.”).

V TERMS OF SETTLEMENT

- a.. The Respondent admits the allegations set forth in the Statement of Allegations and acknowledges its violation of the Act or the regulations;

VI STAFF COMMITMENT

- a. If the Settlement Agreement is approved by the Commission, staff will not initiate any complaint to the Commission in respect to the conduct alleged in this proceeding or in respect to conduct as known to staff save and except in accordance with the procedures described herein and such further procedures as may be agreed upon between staff and the Respondent.
- b. If the Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter and the Respondent agrees to waive any right to a full hearing and appeal of this matter under the Act.
- c. If the Settlement Agreement is approved by the Commission, the parties to this Settlement Agreement will not make any statement that is inconsistent with this Settlement Agreement.
- d. If, for any reason whatsoever, this settlement is not approved by the Commission, or the order set forth in schedule "A" is not made by the Commission:
 - i. Each of staff and the Respondent will be entitled to proceed to a hearing of the allegation in the Notice of Hearing and related Statement of Allegations unaffected by the Settlement Agreement or the settlement negotiations; and
 - ii. The Respondent agrees that it will not raise in any proceeding the Settlement 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.
- e. If, prior to the approval of the Settlement Agreement by the Commission, there are

**R. Scott Peacock, Deputy Director
Compliance and Enforcement
Nova Scotia Securities Commission**