

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

- AND -

IN THE MATTER OF ROYAL ROADS CORP. ("Respondent")

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

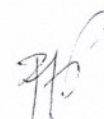
1. The parties to this Settlement Agreement ("Agreement") are the Respondent and Staff of the Nova Scotia Securities Commission.
2. The parties agree that the Nova Scotia Securities Commission ("Commission") has jurisdiction over this matter.
3. The parties agree to recommend to the Commission approval 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. The parties to this Agreement acknowledge and agree that the facts and conclusions set out herein are for the purposes of this Agreement only and further agree that this agreement of facts is without prejudice to the Respondent in any proceeding or any kind, including, but without limiting the generality of the foregoing, any civil or other proceeding which may be brought by any other person or agency.
9. The Respondent is an extra-provincial corporation and a reporting issuer in Nova Scotia
10. On or about November 18, 2008, one of the directors of the Respondent became aware that an officer of the Respondent had made a number of advances to a related company throughout 2008, which amounted to approximately 35% of the Respondent's market capitalization. The advances were made without the knowledge or consent of any director or any other officer of the Respondent.
11. In November 2008, the Respondent became aware that by August of 2008 a material change had occurred which would have required the Respondent to file a material change report and issue a press release.
12. On November 28, 2008, following a number of meetings of the directors of the Respondent and having regard to the cash position and requirements of the Respondent, the independent members of the board of the Respondent ratified the loan to the related company (all other members of the board conflicted but in agreement) and agreed upon formal terms including security, the terms of repayment and interest.
13. On December 1, 2008, the Respondent disclosed the loan in its interim financial statements and issued a news release advising of the loan and the security arrangements.
14. On December 8, 2008 the Respondent filed a material change report.
15. On June 26, 2009, the Respondent's shareholders ratified the loan at their annual and special meeting.
16. As of November 25, 2009, the loan was fully repaid with interest at 10%.
17. The Respondent failed to file the material change report or issue the press release in accordance with section 81(1)(b) of the Act and section 7.1(1) of NI 51-102.



PART IV – ACKNOWLEDGMENT AND ADMISSION

18. The Respondent acknowledges and admits that it violated and sections 81(1)(b) of the Act and section 7.1(1) of NI 51-102.
19. The Respondent acknowledges that by violating sections 81(1)(b) of the Act and section 7.1(1) of NI 51-102 it undermined investor confidence in the fairness and efficiency of capital markets in Nova Scotia and acted contrary to the public interest.
20. The Respondent admits the facts set forth in Part III herein and acknowledges that it violated Nova Scotia securities laws.

PART V - MITIGATING FACTORS

21. The Respondent acknowledges and accepts responsibility for its conduct which is the subject matter of this Agreement.
22. The Respondent cooperated with Staff's investigation of this matter.
23. As soon as the directors of the Respondent became aware of the related-company loan, they:
 - a. took immediate steps to disclose the material change by issuing a news release and material change report and by making disclosure in its financial statements;
 - b. forthwith requested management to review the Respondent's internal controls, to identify weaknesses, to immediately take steps to rectify these weaknesses and to request the Respondent's auditor to test those controls in connection with its year-end audit process;
 - c. required the officer in question to resign from his position with the Respondent, which he did effective December 2, 2008;
 - d. took steps to protect the interest of the Respondent by requiring an extensive security package to secure the loan and by requiring an interest rate of approximately 10 times that which the Respondent had been receiving on its invested funds; and
 - e. requested the shareholders ratify the loan arrangements, which they did by a 67% majority vote (excluding the votes of the related party) at the annual and special meeting of shareholders, held on June 26, 2009.

PART VI – TERMS OF SETTLEMENT

24. The terms of settlement are set forth in the order contained in Schedule “A” to this Agreement which is expressly incorporated herein.
25. The Respondent consents to the order contained in Schedule “A”.

PART VII – COMMITMENTS

26. 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.
27. 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.
28. If this Agreement is approved by the Commission, the Respondents agree to abide by all terms of this Agreement as set out in the Order attached as Schedule “A”.
29. If this Agreement is approved by the Commission, Staff will not initiate or support any other proceeding under the Securities Act against the Respondent or any other current or former officers, directors, employees, representatives or agents of the Respondent in relation to the facts set out herein.
30. 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 Respondents or as may otherwise be required by law; and
 - c. The Respondent agrees that it 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.
31. 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 28 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

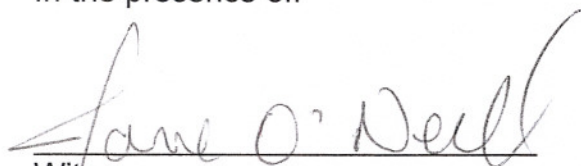
32. Staff or the Respondent may refer to any or all parts of this Agreement as required by the General Rules of Practice and Procedure and in the course of the Settlement Hearing. Otherwise, this Settlement Agreement and its terms will be treated as confidential by all parties to it until approved by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

PART IX – EXECUTION OF SETTLEMENT AGREEMENT

33. 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 23 day of December 2009.

SIGNED, SEALED AND DELIVERED
In the presence of:


Witness

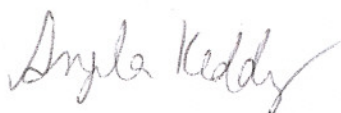
Royal Roads Corp.



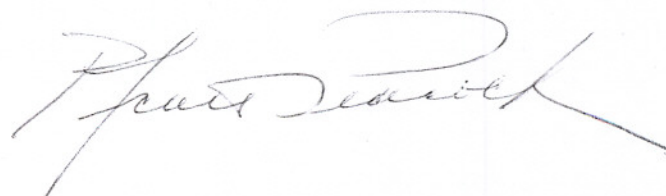
Per: ROYAL ROADS CORP.
Position: PRESIDENT & CEO

Dated this 23rd day of December 2009.

SIGNED, SEALED AND DELIVERED
In the presence of:



Staff of the Nova Scotia Securities
Commission



Witness

R. Scott Peacock
Director of 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 ROYAL ROADS CORP. ("Respondent")

ORDER

(Sections 135 and 135A)

WHEREAS on _____, 2009 the Nova Scotia Securities Commission ("Commission") issued a Notice of Hearing to the Respondent pursuant to sections 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. Pursuant to section 135 of the Act, the Respondent shall pay an administrative penalty in the amount of the twenty thousand dollars (\$20,000.00) forthwith; and
2. Pursuant to section 135A of the Act, the Respondent shall pay costs in connection with Staff's investigation and conduct of this proceeding before the Commission in the amount of one thousand five hundred dollars (\$1,500.00) forthwith.

DATED at Halifax, Nova Scotia, this _____ day of December 2009.

NOVA SCOTIA SECURITIES COMMISSION

(Chairman)
