

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

- AND -

IN THE MATTER OF
GRANT STUART RUST ("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.



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9. The Respondent is a resident of Hubbards, Nova Scotia.
10. Quadrus Investment Services Ltd. ("Quadrus") is a mutual fund dealer whose head office is in London, Ontario. Quadrus has held registration with the Commission since 2000.
11. The Respondent has held continuous registration with the Commission as a Dealing Representative from 1994 to present. From February, 2004 until May, 2011, he was registered as a Dealing Representative with Quadrus.
12. AB and CD are residents of Liverpool, Nova Scotia and are a common law couple. At all material times, AB and CD were clients of the Respondent and Quadrus.
13. On February 25, 2004, terms and conditions were placed on the registration of the Respondent by Brian Murphy, ("Murphy") Deputy Director of Capital Markets for the Commission wherein Quadrus agreed to provide "close supervision" of the Respondent and to provide monthly supervision reports directly to Murphy. Specifically, Quadrus agreed to provide procedures sufficient to monitor the Respondent in regard to such things as inconsistency with stated objectives, excessive trading/churning, suitability of leveraged investments, and improper use of discretion.
14. In February, 2007, the Respondent submitted a Great West Life investment loan application to Quadrus in the amount of \$100,000 on behalf of CD.
15. The documentation submitted by the Respondent in support of the investment loan was inconsistent with information previously recorded in CD's file. Specifically, the know-your-client information ("KYC") accompanying the loan application noted CD's risk tolerance as high, whereas CD's file noted his risk tolerance as medium.
16. In May of 2007, upon the advice of the Respondent, CD redeemed \$40,000 from his investment portfolio with Quadrus, \$8,612 of which was subject to deferred sales charges. However, approximately three weeks later, in June of 2007, the Respondent submitted a Great West Life investment loan application to Quadrus in the amount of \$40,000 on behalf of CD. The documentation filed by the Respondent in support of this loan application was inconsistent in that the monthly income noted on the loan application was significantly different than the income noted on other documents attached to the loan application. The proceeds of the loan went to purchase mutual funds with a deferred sales charge.
17. In the accounts of AB, upon the advice of the Respondent, a purchase plan was set up to automatically purchase a set dollar amount of funds once a month, beginning in December 2006. The funds purchased on behalf of AB by the Respondent were subject to deferred sales charges.



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18. AB was also advised by the Respondent to set up an automatic withdrawal plan to redeem from her funds, also on a monthly basis. The funds being withdrawn were subject to deferred sales charges. Often times the monthly purchase of funds was cancelled out by the automatic withdrawal, resulting in AB having paid excessive deferred sales charges.
19. The Respondent advised clients AB and CD to sign blank switch forms, which he kept in the client files.
20. By providing inconsistent information in support of the loan applications, the Respondent failed to establish procedures for dealing with his clients that conformed with prudent business practices, thereby breaching section 31(1)(a) of the Securities Regulations, as rep. by Rule 31-801.
21. By advising clients to purchase funds shortly before or after advising them to redeem funds such that the clients would be subject to excessive deferred sales charges, and by advising clients to sign blank forms, the Respondent failed to deal fairly honestly and in good faith, thereby breaching section 61 of the Securities Regulations, as rep. by Rule 31-801.

PART IV - ACKNOWLEDGMENT AND ADMISSION

22. The Respondent acknowledges and admits the above-referenced violations of sections 31(1)(a) and 61 of the Securities Regulations, as rep. by Rule 31-801.
23. The Respondent acknowledges that he undermined investor confidence in the fairness and efficiency of capital markets in Nova Scotia and otherwise acted contrary to the public interest.
24. The Respondent admits the facts set forth in Part III herein and acknowledges that he violated Nova Scotia securities laws.

PART V - MITIGATING FACTORS

25. The Respondent acknowledges and accepts responsibility for his conduct which is the subject matter of this Agreement.
26. The Respondent cooperated with the investigation of this matter.
27. The Respondent is in the process of retiring from the securities industry and expects this to be completed within two months of the date of this Agreement.

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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 Respondents consent 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 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.
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.

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PART VIII - DISCLOSURE OF SETTLEMENT AGREEMENT

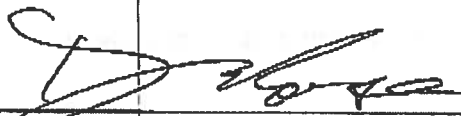
35. Staff or the Respondent may refer to any or all parts of this Agreement as required by the General Rules of Practice and Procedure and in the course of the Settlement Hearing. Otherwise, this Settlement Agreement and its terms will be treated as confidential by all parties to it until approved by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

PART IX - EXECUTION OF SETTLEMENT AGREEMENT

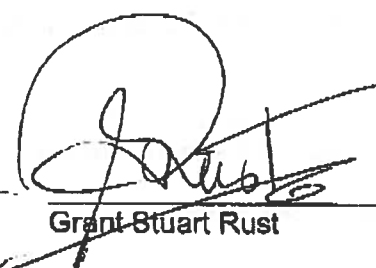
36. This Agreement may be signed in one or more counterparts that together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

Dated this 22 day of May 2013.

SIGNED, SEALED AND DELIVERED
In the presence of:



Witness



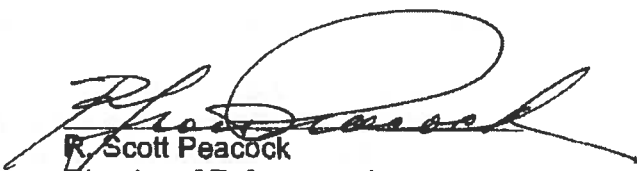
Grant Stuart Rust

Dated this 22 day of May 2013.

SIGNED, SEALED AND DELIVERED
In the presence of:



Witness

Staff of the Nova Scotia Securities
Commission


R. Scott Peacock
Director of Enforcement
Nova Scotia Securities Commission

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SCHEDULE "A"

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

- AND -

IN THE MATTER OF
GRANT STUART RUST ("Respondent")

ORDER

(Sections 135, 135A and 136A)

WHEREAS on _____, 2010 the Nova Scotia Securities Commission ("Commission") issued a Notice of Hearing to the Respondent pursuant to sections 135, 135A, and 136A 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 _____, 2013, a copy of which is attached, is approved; and
2. Pursuant to section 135 of the Act, the Respondent shall pay an administrative penalty in the amount of ten thousand dollars (\$10,000.00) forthwith; and
3. Pursuant to section 135A of the Act, the Respondent shall pay costs in connection with Staffs investigation and conduct of this proceeding before the Commission in an amount of one thousand dollars (\$1,000.00) forthwith.

DATED at Halifax, Nova Scotia, this _____ day of _____, 2013.

NOVA SCOTIA SECURITIES COMMISSION

(Chair)

