

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

- AND -

IN THE MATTER OF  
CANACCORD CAPITAL CORPORATION ("CANACCORD")

**SETTLEMENT AGREEMENT**

**PART I – INTRODUCTION**

1. Staff of the Nova Scotia Securities Commission ("Commission") agrees to request that a Notice of Hearing be issued setting a hearing down to consider whether, pursuant to sections 135 and 135A of the Act, in the opinion of the Commission, it is in the public interest for the Commission to:
  - a. Approve this settlement agreement;
  - b. Make a determination pursuant to section 135(a) of the Act that Canaccord has contravened the Act or its regulations;
  - c. Make an order pursuant to section 135(b) that Canaccord pay an administrative penalty in the amount of twenty-five thousand dollars (\$25,000.00) forthwith; and
  - d. Make an order pursuant to section 135A of the Act that Canaccord pay costs in connection with the Staff's investigation and conduct of the proceedings before the Commission in the amount of one thousand dollars (\$1,000.00) forthwith.

**PART II – JOINT SETTLEMENT RECOMMENDATION**

2. Staff of the Commission ("Staff") agrees to recommend settlement of the proceedings initiated in respect of Canaccord by Notice of Hearing in accordance with General Rules of Practice and Procedure and the terms and conditions set out below. Canaccord agrees to the settlement on the basis of the facts agreed to as hereinafter provided and 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 violations of the Act.

### **PART III – STATEMENT OF FACTS**

#### **Acknowledgment**

3. Staff and Canaccord agree with the facts and conclusions set out in this Part of this Settlement Agreement ("Agreement").

#### **Introduction**

4. Canaccord Capital Corp. ("Canaccord") is registered as investment dealer in every province, with its head office located in Vancouver, British Columbia.
5. Douglas Allen Johnson ("Johnson") is a resident of Bridgewater, Nova Scotia.
6. Johnson was registered with the Commission in the capacity of a mutual fund salesperson with various registered mutual fund dealers from April 1985 until July 2005. In particular, from July 2000 until July 2005 he was registered with Worldsource Financial Management Inc. ("Worldsource").
7. Gloria and Robert Winship (the "Winships") are residents of Sydney Mines, Nova Scotia.

#### **Facts**

8. In June 2001, the Winships met Johnson upon becoming executors of their late aunt's estate, which included a mutual fund account through Johnson at Worldsource.
9. In July, 2001, the Winships opened a mutual fund account through Johnson at Worldsource.
10. Johnson informed the Winships that he had experience in trading stocks and suggested that they open an estate account at Canaccord for the purpose of trading securities. The Winships had not previously opened an account with any investment dealer; they had no experience trading in stocks.
11. On or about March 25, 2002, Johnson opened a trading account on behalf of the Winships with Cary Pinkowski ("Pinkowski"), a broker at Canaccord using the proceeds of the estate account ("Account"). The Account was set up with the investment objective of 100% short term trading and was rated as a high risk account.
12. The Account opening documents indicated that the Winships were residents of Nova Scotia and that Pinkowski was not registered in Nova Scotia when the account was open.



13. Pinkowski became registered with the Commission on June 20, 2002 as salesperson for Canaccord, approximately three months after the Account was opened.
14. In the first month the Account was opened, it was traded almost daily, sometimes buying and selling the same stock on the same day. Between March 25, 2002 and June 20, 2002, 35 trades and \$7,456.90 in commissions were generated in the Account.
15. By allowing the Account to be opened without ensuring that Pinkowski was registered with the Commission, Canaccord violated section 31(1)(a) of the Act.
16. Canaccord also failed to establish procedures for dealing with its clients that conformed with prudent business practice and enabled it to service its clients adequately, thereby violating section 31(1)(a) of the Securities Regulations.

#### **Mitigating Factors**

17. Canaccord acknowledges and accepts responsibility for its conduct which is the subject matter of this Agreement.
18. Canaccord cooperated with Staff's investigation of this matter.

#### **Conduct Contrary to the Public Interest**

19. In summary, during material times Canaccord's actions violated Nova Scotia securities laws and were contrary to the public interest.

#### **PART IV – POSITION OF CANACCORD**

20. Canaccord admits the facts set forth in Part III herein and acknowledges that it violated the Act.

#### **PART V – TERMS OF SETTLEMENT**

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

#### **PART VI – COMMITMENTS**

22. If this Agreement is approved by the Commission, Staff will not initiate any further proceedings before the Commission related to those facts set out in Part III of this Agreement in accordance with the procedures described herein.



23. If this Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting Canaccord in this matter and Canaccord agrees to waive any right to a full hearing and appeal of this matter under the Act.
24. If this Agreement is approved by the Commission, the parties to this Agreement will not make any statement that is inconsistent with the Agreement.
25. If this Agreement is approved by the Commission, Canaccord shall abide by all terms of this Agreement in accordance with the Order set forth in Schedule "A".
26. If, for any reason whatsoever, this Agreement is not approved by the Commission, or the Order set forth in Schedule "A" is not made by the Commission:
- a. Each of Staff and Canaccord will be entitled to proceed to a hearing of the allegations in the Notice of Hearing and related Statement of Allegations 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 Canaccord or as may otherwise be required by law; and
  - c. Canaccord 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.
27. 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 Canaccord in writing. In the event of such notice being given, the provisions of paragraph 26 in this Part will apply as if this Agreement had not been approved in accordance with the procedures set out herein.

#### **VIII DISCLOSURE OF SETTLEMENT AGREEMENT**

28. Staff or Canaccord 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 hearing convened to consider this Agreement. 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.

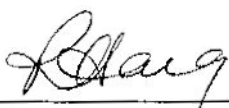


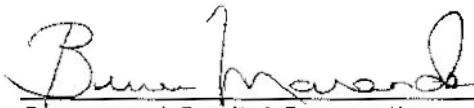
**IX EXECUTION OF SETTLEMENT AGREEMENT**

29. 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 11 day of March 2008.

SIGNED, SEALED AND DELIVERED  
In the presence of:

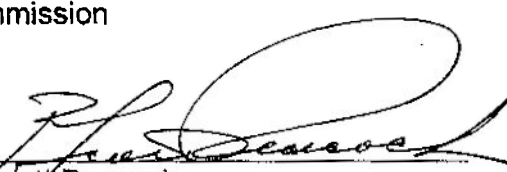
  
\_\_\_\_\_  
Witness

{   
\_\_\_\_\_  
Canaccord Capital Corporation,  
Per: Bruce Marande  
Position: Chief Compliance Officer

Dated this 12 day of ~~February~~ <sup>March</sup> 2008.

SIGNED, SEALED AND DELIVERED  
In the presence of:

  
\_\_\_\_\_  
Witness

{ Staff of the Nova Scotia Securities  
Commission  
  
  
\_\_\_\_\_  
Per: R. Scott Peacock  
Deputy Director  
Compliance and 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  
CANACCORD CAPITAL CORPORATION ("Respondent")

**ORDER**  
(Sections 135, 135A)

**WHEREAS** on \_\_\_\_\_, 2008, 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 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 the Notice of Hearing, and upon hearing submissions of counsel for Staff and the Respondent;

**IT IS HEREBY ORDERED**, pursuant to sections 135 and 135A of the Act, that:

1. the settlement agreement dated \_\_\_\_\_, 2008, a copy of which is attached, is approved;
2. pursuant to section 135 of the Act, the Respondent shall pay an administrative penalty in the amount of twenty-five thousand dollars (\$25,000.00) forthwith; and
3. 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 one thousand dollars (\$1,000.00) forthwith;

DATED at Halifax, Nova Scotia, this \_\_\_\_\_ day of \_\_\_\_\_, 2008. 

NOVA SCOTIA SECURITIES COMMISSION

\_\_\_\_\_  
(Chairman)