

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

- AND -

IN THE MATTER OF
C.S.T. Consultants Inc. ("CST")

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 CST has contravened the Act or its regulations;
 - c. Make an order pursuant to section 135(b) that CST pay an administrative penalty in the amount of thirty thousand dollars (\$30,000.00) forthwith; and
 - d. Make an order pursuant to section 135A of the Act that CST pay costs in connection with the Staff's investigation and conduct of the proceedings before the Commission in the amount of two thousand dollars (\$2,000.00) forthwith.

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission ("Staff") agrees to recommend settlement of the proceedings initiated in respect of CST by the Notice of Hearing in accordance

Handwritten initials

Handwritten mark

Handwritten signature

Handwritten signature

with the terms and conditions set out below. CST 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 CST agree with the facts and conclusions set out in this Part of this Settlement Agreement ("Agreement").

Introduction

4. CST is an extra provincial corporation located in Don Mills, Ontario and is registered as a Scholarship Plan Dealer with the Commission.
5. Russel Dan Keogan ("Keogan") is a resident of Dartmouth, Nova Scotia.
6. Keogan held registration with the Commission as a salesperson for CST from December 12, 2002 until December 12, 2005.

Facts

7. In October, 2001, CST performed an audit of its Halifax branch. During that review, certain deficiencies in supervision were noted. The audit report indicated that there was no written evidence of trade review.
8. In October 2003, Keogan opened a CST scholarship plan account ("2003 Account") for Scott and Heidi Sim ("the Sims").
9. In September 2005, Keogan opened a second CST scholarship plan account ("2005 Account") for the Sims.

RSB

5

10. In opening the 2005 Account, Keogan used the banking information on file from the application for the 2003 Account, and he signed each of the Sims' names to the application without authorization.
11. The branch manager for CST's Halifax branch failed to take appropriate steps to review the 2005 Account and failed to detect the forged signatures or to verify the Sims' signatures by reviewing the application for the 2005 Account against the application on file for the 2003 Account.
12. The Halifax branch manager was unable to verify the Sims' signature on file for the 2005 Account because the branch manager failed to maintain separate client files contrary to CST's internal policies and procedures.
13. In February 2006, CST head office staff conducted a compliance audit on the Halifax branch. The audit report stated that the branch manager failed an internal compliance audit in the categories of client files, trade supervision, branch supervision, suitability and know-your-client obligations. As a result, CST terminated his role as branch manager and appointed a new branch manager.
14. CST failed to establish appropriate procedures to prevent the unauthorized activity. CST failed to adequately supervise or ensure that the branch manager adequately reviewed the opening of the 2005 Account. CST failed to adequately supervise or ensure that the filing system maintained by the Halifax branch manager was adequate. As a result, CST failed to comply with Section 31(1) of the General Securities Rules.

Mitigating Factors

15. CST acknowledges and accepts responsibility for its conduct which is the subject matter of Staff's allegations.
16. CST refunded all the monies to the Sims (\$50.35) directed into the 2005 Account without authorization.
17. After receiving the complaint from Ms. Sims, CST conducted an internal investigation including a review of all 345 of Keogan's plan agreements for the

RLP

M

period he was registered and sponsored by CST. This review revealed that the unauthorized activity related to the Sims Account was the only such occurrence. During its investigation, CST terminated its relationship with Keogan and its sponsorship of Keogan's registration in December 2005.

18. From 2003 to 2005 CST engaged in a comprehensive review and enhancement of its national compliance infrastructure and procedures. CST developed and implemented a revised national compliance program, which included the following components:
 - a) Establishment of an enhanced compliance structure, including the hiring of additional compliance personnel;
 - b) Hiring of a Vice-President, Risk Management and Compliance;
 - c) Development of policies and procedures;
 - d) Training of the sales distribution network and head office staff;
 - e) Development of competency and recruiting standards;
 - f) Reinforcement of compliance through internal disciplinary and enforcement actions; and
 - g) Establishment of a new regulatory compliance agreement with sales representatives and branch managers.
19. CST implemented a proficiency requirement for all Branch Managers to complete the Registered Education Savings Plan Dealers Association of Canada (RESPDAC) Branch Managers Proficiency course by March 31, 2004.
20. From July 2004 to January 2005, CST conducted compliance training for all sales representatives and branch managers. In December 2004, CST conducted compliance training in the Halifax Branch for the branch manager and sales representatives.



21. In May 2005, CST conducted a comprehensive national branch manager training program which covered roles and responsibilities, branch structure, recruiting, client record keeping, account and trade supervision, Know Your Client and suitability requirements, sales practices and marketing, supervision including industry and dealer requirements.
22. As a result of the February 2006 Audit, CST made staffing changes at the Halifax Branch, including hiring a new branch manager in September 2006. In May 2007 CST conducted a compliance audit of the Halifax branch, which received a "pass" audit rating and no deficiencies in the standards of compliance supervision were identified.
23. CST provided a compliance plan to Staff in December 2006. Staff accepted this plan as providing an acceptable level of compliance oversight for CST's Nova Scotia operations.
24. CST cooperated with Staff in the investigation of this matter.

Conduct Contrary to the Public Interest

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

PART IV – POSITION OF CST

26. For the purposes of this Agreement, CST admits the facts set forth in Part III herein and acknowledges that it violated the Act.

PART V – TERMS OF SETTLEMENT

27. 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

28. 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.
29. If this Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting CST in this matter and CST agrees to waive any right to a full hearing and appeal of this matter under the Act.
30. If this Agreement is approved by the Commission, the parties to this Agreement will not make any statement that is inconsistent with the Agreement.
31. If this Agreement is approved by the Commission, CST shall abide by all terms of this Agreement in accordance with the Order set forth in Schedule "A".
32. 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 CST 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 CST or as may otherwise be required by law; and
 - c. CST 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.
33. 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 CST in writing. In the event of such notice being given, the provisions of paragraph 32 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

34. Staff or CST may refer to any or all parts of this Agreement 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.



[Faint, illegible handwritten text at the bottom of the page]

IX EXECUTION OF SETTLEMENT AGREEMENT

35. 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^d day of January 2008.

SIGNED, SEALED AND DELIVERED
In the presence of:



Witness

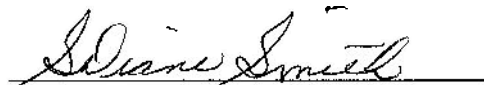
CST Consultants Inc.



Per: John R. Kearns
President & C.E.O.

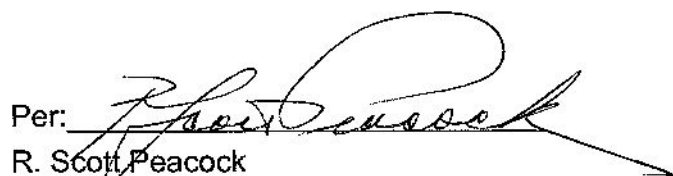
Dated this 29th day of January 2008.

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
C.S.T. Consultants Inc. ("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 thirty thousand dollars (\$30,000.00) 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 two thousand dollars (\$2,000.00) forthwith;

DATED at Halifax, Nova Scotia, this _____ day of _____, 2008.

NOVA SCOTIA SECURITIES COMMISSION

(Chairman)

