

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

-AND-

IN THE MATTER OF
Trusthouse Mercantile Inc. (“Trusthouse”) and
Robert Ernest Raymond (“Raymond”)
(collectively the “Respondents”)

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 134, 135 and 135A of the Act, in the opinion of the Commission, it is in the public interest for the Commission to:
 - a. To make an order pursuant to section 135(a) of the Act determining that the Respondents have contravened the Nova Scotia securities laws;
 - b. To make an order pursuant to section 134(1)(b)(i) of the Act that Trusthouse shall permanently cease trading in any and all classes of securities;
 - c. To make an order pursuant to section 134(1)(b)(i) of the Act, that Raymond shall permanently cease trading in any and all classes of securities with the exception of a personal account controlled by him, in which case he shall cease trading in any and all classes of securities for a period of twelve months from the date of the order;
 - d. To make an order pursuant to section 134(1)(c) of the Act that the Respondents shall be permanently denied all exemptions described or referred to in any of sections 40, 41, 77, 78 and 99 of the Act;
 - e. To make an order pursuant to section 135(b) of the Act that the Respondents shall pay an administrative penalty in the amount of one hundred thousand dollars (C\$100,000.00) forthwith; and
 - f. To make an order pursuant to section 135A of the Act that the Respondents shall pay costs in connection with the Staff’s investigation and conduct of the proceedings in the amount of twelve thousand dollars (C\$12,000.00) forthwith.

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission (“Staff”) agrees to recommend settlement of the proceedings initiated in respect of the Respondents by the Notice of Hearing in accordance with the terms and conditions set out below. The Respondents agree to the settlement on the basis of the facts agreed to as hereinafter provided and consent 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 Nova Scotia securities laws.

PART III – STATEMENT OF FACTS AND CONCLUSIONS

Acknowledgment

3. Staff and the Respondents agree with the facts and conclusions set out in this Part of this Settlement Agreement (“Agreement”).

Introduction

4. In the 1980s and early 1990s, Raymond held registration as a salesperson with various Member Firms of the Investment Dealers Association and various Limited Market Dealers in Ontario. His registration ceased when he terminated employment in Ontario and relocated to Nova Scotia on or about March, 1999.
5. On March 3, 1999, Trusthouse registered and incorporated with the Registry of Joint Stocks in Nova Scotia. Raymond was listed as the President, sole Director, and Recognized Agent of Trusthouse.
6. Upon relocating to Nova Scotia, Raymond was a resident of Halifax, Nova Scotia from approximately March, 1999 to December, 2005 and he is currently a resident of Halifax, Nova Scotia.
7. At all material times, the Respondents were not registered with any securities commission in Canada in any capacity.

Facts

8. Beginning in March, 1999, Raymond began soliciting investments in Nova Scotia and elsewhere through Trusthouse, promoting himself as a private trader who traded the Standard and Poor’s 500 futures index contracts. He also operated a website located at www.trusthouse.ns.ca (“Website”) where he promoted an annual rate of return to investors of 36%.
9. Between March 1999, and June 2000, Raymond was successful in attracting approximately 5 Nova Scotian investors.

10. In June 2000, the Respondents entered into an undertaking with the Director of Securities of the Commission to cease and desist from any trading, to shut down the Website, and to repay all monies received from investors.
11. Beginning in December 2000 and continuing until March, 2005, the Respondents continued to solicit investments through advertisements in the Globe and Mail and via internet chat rooms.
12. The Respondents entered into investment agreements and/or performed trading in the Standard and Poor's 500 futures index contracts on behalf of approximately 20 investors located in the United States, Canada, The United Kingdom, and Israel. Approximately 13 of the 20 investors were residents of Nova Scotia.
13. The Respondents received approximately \$510,000 (Canadian Dollars) from investors in Nova Scotia and elsewhere. Raymond, through Trusthouse, offered investors a guaranteed return of 3% monthly on their principal for the opportunity to trade on their behalf.
14. Approximately \$210,000 (Canadian dollars) of funds invested by residents of Nova Scotia and elsewhere were used by the Respondents for day to day personal and business expenses including such items as rent, entertainment, food, beverage, clothing, travel, utilities, the purchase of trading publications including trading charts, and taxation expenditures.
15. The Respondents' trading scheme was not profitable, and approximately \$40,000 (Canadian dollars) went to trading losses. The Respondents returned approximately \$260,000.00 (Canadian dollars) to some investors, however the repayment scheme was sporadic and was funded by monies received from subsequent investors.

Mitigating Factors

16. The Respondents acknowledge and accept responsibility for their conduct which is the subject matter of Staff's allegations. Raymond acknowledges the egregious and serious nature of his conduct and that he violated the Act.

Conduct Contrary to the Public Interest

17. In summary, during all material times the Respondents actions violated sections 31(1)(a), 31(1)(c), 44(1)(b), 44A(2) of the Act and were contrary to the public interest. The Respondents conduct was detrimental to the integrity and efficiency of the capital markets in Nova Scotia and was prejudicial to the interests of Nova Scotian investors.

PART IV – POSITION OF TRUSTHOUSE AND RAYMOND

18. The Respondents admit the facts set forth in Part III herein and acknowledge their violations of Nova Scotia securities laws.

PART V – TERMS OF SETTLEMENT

19. 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

20. If this Agreement is approved by the Commission, Staff will not initiate any further complaint to the Commission in accordance with the procedures described herein and such further procedures as may be agreed upon between Staff and the Respondents, nor will any further proceedings be instituted against the Respondents.
21. If this Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting the Respondents in this matter and the Respondents agree to waive any right to a full hearing and appeal of this matter under the Nova Scotia securities laws.
22. If this Agreement is approved by the Commission, the parties to this Agreement will not make any statement that is inconsistent with the Agreement.
23. 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 the Respondents 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 the Respondents or as may otherwise be required by law; and
 - c. The Respondents agree that they 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.

24. 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 Respondents in writing. In the event of such notice being given, the provisions of paragraph 23 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

25. Staff or the Respondents 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.

IX EXECUTION OF SETTLEMENT AGREEMENT

26. 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 9th day of February, 2007.

SIGNED, SEALED AND DELIVERED

In the presence of:

"Selena Jones"
Witness

Trusthouse Mercantile Inc.
Robert E. Raymond

"R. Raymond"

Per: _____
"R. Raymond"
Robert E. Raymond

Dated this 9th day of February, 2007.

SIGNED, SEALED AND DELIVERED

In the presence of:

"S. Diane Smith"
Witness

Staff of the Nova Scotia Securities
Commission

Per: _____
"R. Scott Peacock"
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, C. 418 as amended ("Act")

-AND-

IN THE MATTER OF
Trusthouse Mercantile Inc ("Trusthouse") and
Robert Ernest Raymond ("Raymond")
(collectively the "Respondents")

ORDER

(Sections 134, 135, 135A)

WHEREAS on _____, 2007, the Nova Scotia Securities Commission ("Commission") issued a Notice of Hearing pursuant to sections 134, 135 and 135A of the Act in respect to the Respondents;

AND WHEREAS the Respondents entered into a settlement agreement with Staff of the Commission ("Staff") whereby they 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 UPON reviewing the settlement agreement and the Notice of Hearing, and upon hearing submissions of Heidi Schedler on behalf of Staff and the Respondents on their own behalf;

AND WHEREAS the Commission is of the opinion that the Respondents have contravened Nova Scotia securities laws and it is in the public interest to make this Order;

IT IS HEREBY ORDERED, pursuant to sections 134, 135 and 135A of the Act, that:

1. the settlement agreement dated _____, 2007, a copy of which is attached, is approved;
2. pursuant to section 134(1)(b)(i) of the Act, Trusthouse shall permanently cease trading in any and all classes of securities;
3. pursuant to section 134(1)(b)(i) of the Act, Raymond shall permanently cease trading in any and all classes of securities with the exception of a personal

account controlled by him, in which case he shall cease trading in all classes of securities for a period of twelve months from the date of this order;

4. pursuant to section 134(1)(c) of the Act, the Respondents shall be permanently denied all exemptions described or referred to in any of sections 40, 41, 77, 78 and 99 of the Act;
5. pursuant to section 135(b) of the Act, the Respondents shall pay an administrative penalty in the amount of one hundred thousand dollars (\$100,000.00) forthwith; and
6. pursuant to section 135A of the Act, the Respondents shall pay costs in connection with the investigation and conduct of the proceedings in the amount of twelve thousand dollars (\$12,000.00) forthwith.

DATED at Halifax, Nova Scotia, this _____ day of _____, 2007.

NOVA SCOTIA SECURITIES COMMISSION

(Chairman)