

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

- AND -

IN THE MATTER OF
J. ARNOLD JOHNSON ("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 Respondent agree with the facts and conclusions set out in this Part of the Agreement.

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9. The Respondent registered with the Commission in March of 1984. From January of 2001 to December 2008, the Respondent was registered as a Salesperson with Acadian Securities Inc. ("Acadian").
10. In December of 2008 Acadian merged with Jennings Capital ("Jennings"). The Respondent is currently registered as a Dealing Representative with Jennings.
11. On June 6, 2008, the Respondent placed an order to buy 300 units of Strata Income Fund for a client account which was not a discretionary account ("Order").
12. The Respondent was asked by Acadian to take over responsibility for this client in 2006, after another Investment Advisor had left Acadian.
13. The client had a KYC on file dated September 14, 1998. In 2006, the Respondent discussed with the client that the investment objectives and risk tolerances remained the same, but he had no written record of this discussion.
14. The Order was based on oral instructions received some months before, but not placed until sufficient funds had accumulated in the client's account.
15. The Respondent did not reconfirm the Order before placing it and did not have a written record of the prior instructions for the Order.
16. By failing to reconfirm the previous instruction for the Order at the time the Order was placed, the Respondent unintentionally effected an unauthorized trade in the client account.
17. By failing to keep a written record of the client's instructions for the Order, the Respondent failed to maintain an adequate record of the Order.
18. By failing to maintain a written record of the Order, by failing to reconfirm the Order, and by failing to update the client's KYC in writing, the Respondent violated sections 30(1) and 31(1) of the Securities Regulations, as rep. by Rule 31-801.

PART IV – STATEMENT OF ALLEGATIONS ACKNOWLEDGED AND ADMITTED BY THE RESPONDENT

19. The Respondent acknowledges and admits that he violated sections 30(1) and 31(1) of the Securities Regulations, as rep. by Rule 31-801.



20. The Respondent acknowledges that by violating sections 30(1) and 31(1) of the Securities Regulations, as rep. by Rule 31-801, he violated Nova Scotia securities laws and acted contrary to the public interest.
21. The Respondent admits the facts set forth in Part III herein and acknowledges that he violated the Act.

PART V - MITIGATING FACTORS

22. The Respondent acknowledges and accepts responsibility for his conduct which is the subject matter of this Agreement.
23. The Respondent has worked full time in the investment industry for 26 years, and has never been the subject of any proceeding before the Commission, or any other regulatory body.
24. In 2006, the manager of Acadian asked the Respondent to consider taking over the client's account because an Investment Advisor was leaving Acadian.
25. After discussing the investment objectives and risk tolerances with the client, the Respondent reported this to Acadian's Compliance department. The Respondent was not advised to update the client's KYC.
26. The client's account was a locked in retirement account, that held only three securities, one of which was Strata Income Fund.
27. In the spring of 2008, the Respondent spoke to the client about dividends that were slowly accumulating in the clients account from the Strata holding and recommended the client consider using the accumulated dividends to reinvest in the Strata Fund. The Respondent suggested the purchase of 300 units of Strata. He recommended the client wait until enough dividends had accumulated to purchase all 300 units at one time, thereby incurring only one commission.
28. The Respondent understood the client had agreed to his recommendations.
29. A couple of months later, on June 8, 2008, the Respondent completed the purchase of the 300 units of Strata for approximately \$2,300, with a \$68.64 commission for himself, instead of two minimum commissions of \$60 each, if there had been two separate orders.
30. When advised about the client's complaint, Acadian immediately offered to reverse the trade. The client declined the offer to reverse the trade.
31. IIROC investigated this matter and issued a "caution" to the Respondent.



32. The Respondent has cooperated fully in the investigation of this matter, and provided a full statement to the Nova Scotia Securities Commission when requested.
33. At all times, the Respondent believed he was acting appropriately, in the best interests of the client, and according to the guidelines of the industry as he understood them.

PART V – TERMS OF SETTLEMENT

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

PART VI – COMMITMENTS

36. 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.
37. 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.
38. 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”.
39. 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 Respondent or as may otherwise be required by law; and
 - c. The Respondent agrees that he will not raise in any proceeding the Agreement or the negotiations or process of approval thereof as a basis of

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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.

40. 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 Respondent in writing. In the event of such notice being given, the provisions of paragraph 38 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

41. Staff and 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 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.

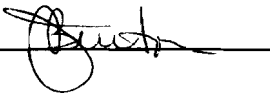
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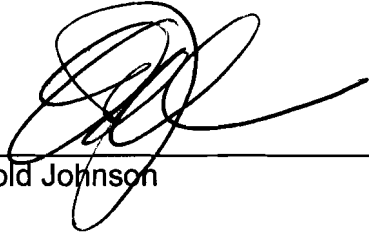
PART IX – EXECUTION OF SETTLEMENT AGREEMENT

42. 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 01 day of April 2010.

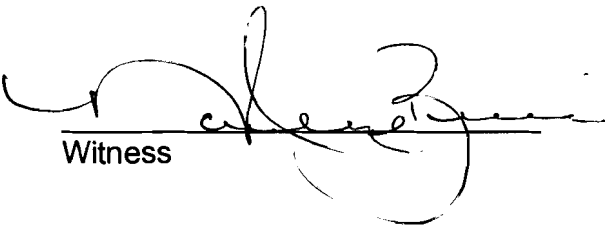
SIGNED, SEALED AND DELIVERED
In the presence of:

Witness 

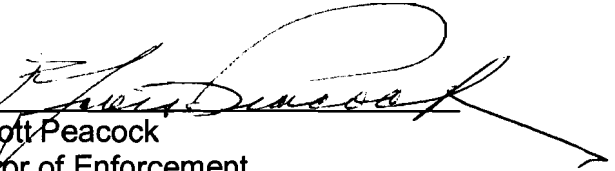
} _____
J. Arnold Johnson


Dated this 12 day of April 2010.

SIGNED, SEALED AND DELIVERED
In the presence of:

Witness 

} Staff of the Nova Scotia Securities
Commission

Per: _____
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
J. ARNOLD JOHNSON ("Respondent")

ORDER
(Sections 134, 135 and 135A)

WHEREAS on _____, 2010, the Nova Scotia Securities Commission ("Commission") issued a Notice of Hearing to the Respondent pursuant to sections 134, 135 and 135A of the Act;

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the Commission ("Staff") whereby he 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 that:

1. the settlement agreement dated _____, 2010, a copy of which is attached, is approved;
2. pursuant to section 134(1)(h) of the Act, the Respondent be reprimanded;
3. pursuant to section 135 of the Act, the Respondent shall pay an administrative penalty in the amount of three thousand five hundred dollars (\$3,500.00) forthwith; and
4. 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 five hundred dollars (\$1,500.00) forthwith.

DATED at Halifax, Nova Scotia, this _____ day of _____, 2010. 

NOVA SCOTIA SECURITIES COMMISSION

(Chairman)