

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

- AND -

IN THE MATTER OF
SCALLOP SHELL POLLUTION SOLUTION LIMITED ("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.

9. The Respondent is located in Freeport, Nova Scotia, and has been registered with the Nova Scotia Registry of Joint Stock Companies since February, 2005.
10. The Respondent is not a reporting issuer under the Act and has not filed a prospectus or a preliminary prospectus with the Commission.
11. Between February 23, 2005 and September 10, 2008, the Respondent distributed common shares to twenty-nine (29) Nova Scotia investors and 3 residents of Alberta.
12. Sixteen (16) of the twenty-nine (29) Nova Scotia investors did not qualify to purchase the shares under an exemption within Nova Scotia securities laws.
13. The Respondent raised a total of \$536,250 by distributing the shares, \$181,000 of which came from those investors who did not qualify for an exemption.
14. The Respondent failed to file a Form 45-106F1-Report of Exempt Distributions with the Commission within 10 business days of each distribution made to an investor that qualified for an exemption.
15. By distributing shares to ~~nineteen (19)~~ ^{sixteen (16)} Nova Scotia investors who did not qualify under an exemption without filing a prospectus or preliminary prospectus with the Commission, the Respondent breached section 58(1) of the Act.
16. By failing to file a Form 45-106F1-Report of Exempt Distributions with the Commission within ten (10) days of distributing common shares pursuant to an exemption under Nova Scotia securities laws, the Respondent breached Part 6.1(2) of National Instrument 45-106.

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

17. The Respondent acknowledges and admits that it violated section 58 of the Act and Part 6.1(2) of National Instrument 45-106.
18. The Respondent acknowledges that its actions violated Nova Scotia securities laws and were contrary to the public interest.
19. The Respondent admits the facts set forth in Part III herein and acknowledges that it violated the Act.

PART V - MITIGATING FACTORS

20. The Respondent acknowledges and accepts responsibility for its conduct which is the subject matter of this Agreement.

21. The Respondent cooperated with Staff's investigation of this matter.
22. The Respondent self-reported to the Commission the above noted violations.

PART V – TERMS OF SETTLEMENT

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

PART VI – COMMITMENTS

25. 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.
26. 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.
27. 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".
28. 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 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.
29. 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 28 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

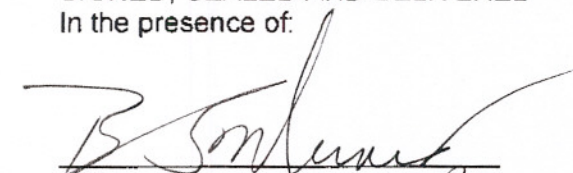
30. Staff and the Respondent may refer to any or all parts of this Agreement as required by the General Rules of Practice and Procedure and in the course of the Settlement Hearing. Otherwise, this Agreement and its terms will be treated as confidential by all parties to it until approved by the Commission,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

PART IX – EXECUTION OF SETTLEMENT AGREEMENT

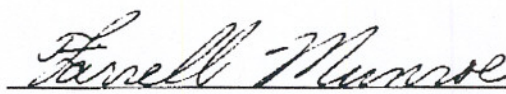
31. This Agreement may be signed in one or more counterparts that together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

Dated this 18TH day of March 2010.

SIGNED, SEALED AND DELIVERED
In the presence of:

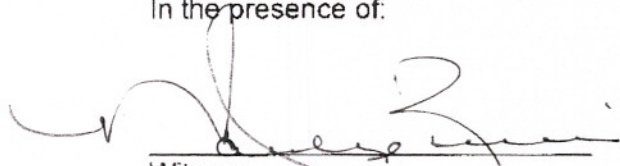

Witness PENG.

Scallop Shell Pollution Solution

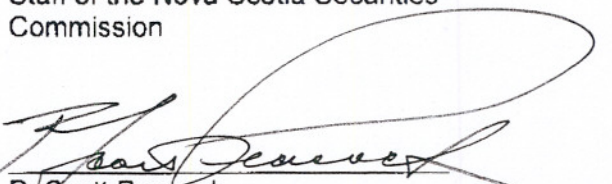

Per: Farrell Munroe
Position: President

Dated this 22 day of March 2010.

SIGNED, SEALED AND DELIVERED
In the presence of:


Witness

Staff of the Nova Scotia Securities
Commission


R. Scott Peacock
Director, 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
SCALLOP SHELL POLLUTION SOLUTION ("Respondent")

ORDER
(Sections 135 and 135A)

WHEREAS on _____, 2010, 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 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 135 of the Act, the Respondent shall pay an administrative penalty in the amount of five thousand dollars (\$5,000.00) 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 seven hundred and fifty dollars (\$750.00) forthwith.

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

NOVA SCOTIA SECURITIES COMMISSION

(Chairman)