

IN THE MATTER OF THE SECURITIES ACT,
S.N.B. 2004, c. S-5.5, AS AMENDED

AND

IN THE MATTER OF

LEGACY ASSOCIATES INC.
(Respondent)

SETTLEMENT AGREEMENT

1. STAFF TO RECOMMEND SETTLEMENT

Staff of the New Brunswick Securities Commission ("Staff") agree to recommend approval of settlement of this matter with respect to Legacy Associates Inc. ("Legacy") to a panel of the New Brunswick Securities Commission pursuant to section 191(1)(a) of the *Securities Act*, in accordance with the following terms and conditions:

- a. Legacy agrees to the Statement of Facts set out in Part II hereof, and consents to the making of an order on the basis of those facts, as set out in Schedule "A", with such revisions of a stylistic nature as may be preferred by the Commission; and
- b. The terms of any settlement will become public information only if, and when, the settlement is approved by the Commission.

2. LEGACY'S OBLIGATIONS IF SETTLEMENT APPROVED

If the Settlement Agreement is approved, Legacy undertakes:

- a. Not to make any statement which is inconsistent with the Statement of Facts attached hereto;
- b. To comply with the Order as set out in Schedule "A";
- c. Pursuant to the Order as set out in Schedule "A", to pay an administrative penalty in the amount of \$15,000 in respect of the allegations described in the Statement of Allegations filed by Staff on 8 October 2008; and
- d. Pursuant to the Order as set out in Schedule "A", to pay fees and expenses in the amount of \$5,000 in respect of the 3 June 2008 compliance review.

3. LEGACY'S ACKNOWLEDGEMENT

Legacy acknowledges that Staff will schedule a further compliance review of Legacy, to take place during the spring of 2009 or such other reasonable date thereafter. If Staff discovers further issues of material non-compliance at that time, then Staff may institute further proceedings against Legacy. In such case, Staff will be free to enter into evidence the Statement of Facts attached hereto, as well as all other evidence relating to the allegations made in the Statement of Allegations issued 7 October 2008. Legacy further acknowledges that the conduct and facts alleged in the Statement of Allegations may form part of the grounds for assessing any relief requested by Staff in any such future proceeding against Legacy.

4. PROCEDURE FOR APPROVAL OF SETTLEMENT

- a. Upon execution of the Settlement Agreement by Staff and by Legacy, Staff will apply to the Commission for an order approving the Settlement Agreement.
- b. Immediately after execution of the Settlement Agreement and in any event prior to the hearing to seek approval of the Settlement Agreement, Legacy will provide all amounts due under the settlement to the Commission in escrow. If the Settlement Agreement is approved, these funds will be retained by the Commission. If the Settlement Agreement is not approved, these funds will be returned to Legacy.
- c. If the Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting Legacy in this matter and Legacy agrees to waive any right to a hearing and/or appeal with respect to this matter.
- d. If, for any reason whatsoever, this settlement is not approved by the Commission, or the order set forth in Schedule "A" is not made by the Commission:
 - i. Staff and Legacy will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing, unaffected by the Settlement Agreement or the settlement negotiations;
 - ii. The terms of this agreement will not be referred to in any subsequent proceeding or disclosed to any person, except with the written consent of both Staff and Legacy or as may be required by law; and
 - iii. Legacy further agrees that it will not raise, in any proceeding, the Settlement Agreement or the negotiation or process of approval thereof, as a basis for any attack on the jurisdiction of the Commission.

5. DISCLOSURE OF SETTLEMENT AGREEMENT

- a. The terms of the Settlement Agreement will be treated as confidential by the parties thereto until approved by the Commission and forever if, for any reason, the Settlement Agreement is not approved by the Commission; and

- b. upon the approval of the Settlement Agreement by the Commission, any obligation as to confidentiality shall terminate and the Settlement Agreement will become public information.

5. STAFF COMMITMENT

If this settlement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Legacy in relation to the facts set out in Part II of this Settlement Agreement, unless permitted to do so pursuant to Section 3 of this Settlement Agreement.

6. EXECUTION OF SETTLEMENT AGREEMENT

The Settlement Agreement shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

DATED at the City of Saint John this 6th day of November, 2008.

<< original signed by >>
Jake van der Laan
Director – Enforcement NBSC

DATED at the municipality of Moncton this 4th day of November, 2008.

Legacy Associates Inc.

<< original signed by >>
Per: Brent Wilson
Title: Vice President

<< original signed >>
Witness:

Part II
STATEMENT OF FACTS

1. Compliance staff of the New Brunswick Securities Commission ("Compliance Staff" and "Commission") conducted a compliance review of Legacy Associates Inc. ("Legacy") in March and April of 2005. The review revealed a number of deficiencies, which Compliance Staff relayed to Legacy by written report dated 29 April 2005. A copy of this report is found at Exhibit "1" to the Affidavit of Kelly Turcotte sworn 8 October 2008 and filed in this matter.
2. The Mutual Fund Dealers Association ("MFDA") and Compliance Staff conducted a joint compliance review of Legacy during the summer of 2007. The review revealed a number of deficiencies, which the MFDA relayed to Legacy by written report dated 31 August 2007. A copy of this report is found at Exhibit "8" to the Affidavit of Kelly Turcotte sworn 8 October 2008 and filed in this matter.
3. Beginning 6 February 2008, Compliance Staff conducted a compliance review of the terms and conditions that had been placed on a salesperson registered by Legacy. The review revealed a number of deficiencies, which Compliance Staff relayed to Legacy by written reports dated 12 February 2008 and 19 February 2008. Copies of these reports are found at Exhibit "26" and "28" to the Affidavit of Kelly Turcotte sworn 8 October 2008 and filed in this matter.
4. Beginning 23 June 2008, Compliance Staff conducted a further compliance review at Legacy.
5. With respect to these events, Legacy admits for the purpose of this Settlement Agreement and for the purposes of any further proceeding before the Commission, that it has not committed sufficient resources to regulatory compliance as a registered mutual fund dealer. As a result, its operation has been marked by instances of material non-compliance, including the following areas, which constitute contraventions of New Brunswick securities law:
 - a. failure to ensure daily supervision of trades in terms of timeliness and the information monitored;
 - b. processing trades under Limited Trading Authorizations in the absence of notes detailing the instructions received;
 - c. insufficient disclosure to clients regarding switches of fee-free units of DSC funds to 0% front-end versions of the same fund;
 - d. insufficient disclosure of information to clients in support of fee rebates and a failure to supervise the underlying trades for suitability;
 - e. failure to maintain sufficient internal control of Legacy's back office system;
 - f. failure to properly collect and retain information and records concerning leveraged accounts;
 - g. maintaining incomplete and insufficient know-your-client information and

- documentation;
 - h. failure to meet FINTRAC requirements concerning confirmation of client identity;
 - i. inadequate supervision of group plans;
 - j. insufficient monitoring, supervision and client disclosure of dual employment activities and the disclosure of such activities on the National Registration Database;
 - k. failure to monitor, supervise and provide client disclosure of referral arrangements by sales persons;
 - l. inadequate supervision of client communications; and
 - m. failure to conduct certain internal audits of sub-branch offices.
6. These admissions concern activity occurring prior to the compliance review conducted by Staff on 23 June 2008.

Cooperation

Legacy has fully cooperated with Staff in the resolution of the enforcement proceeding filed on 7 October 2008.