

**IN THE MATTER OF
THE SECURITY FRAUDS PREVENTION ACT
R.S.N.B. 1973, c. S-6 (as amended)**

AND

**IN THE MATTER OF
JARISLOWSKY FRASER LIMITED**

SETTLEMENT AGREEMENT

1. INTRODUCTION

- 1.1 In the course of an investigation, Staff of the Securities Administration Branch ("Staff") learned that Jarislowsky Fraser Limited ("JFL") has been providing New Brunswick clients with portfolio management and investment counseling services over the past several years.

2. STATEMENT OF FACTS

- 2.1 JFL acknowledges the following facts as correct:
- 2.2 JFL is not registered as a broker to trade or advise in securities in the Province of New Brunswick restricted to portfolio management and investment counseling services.
- 2.3 No representative employed by JFL is registered to trade or advise in securities in New Brunswick.
- 2.4 JFL has submitted an application for registration as a broker restricted to providing portfolio management and investment counseling services and has submitted applications for 12 representatives.
- 2.5 JFL is a body corporate, incorporated under the laws of the province of Québec as enterprise N^o 1144780989 dated June 15, 1995 and under the laws of Canada as federal business N^o 311015-0 dated January 20, 1995 and under the laws of New Brunswick as an extra-provincial corporation (N^o 612319) dated April 29, 2004.
- 2.6 By letter from Ed LeBlanc, Deputy Administrator, Enforcement and Compliance, dated April 15, 2004, JFL was required to provide, among other things, a list of New Brunswick clients with the name of the representative who serviced each one.
- 2.7 In a letter dated April 20, 2004 the requested information was provided by Erin O'Brien,

Treasurer and Compliance Officer, JFL wherein It was revealed that JFL has or had 5 representatives who were not registered in New Brunswick, but who had traded or advised on behalf of 20 New Brunswick clients.

- 2.8 JFL has permitted unregistered representatives to trade or advise on behalf of New Brunswick clients since at least 1992.
- 2.9 By not registering as a broker JFL has saved registration fees and has further benefited from the fees derived from trades executed for its New Brunswick clientele.

3. POSITION OF STAFF

- 3.1 This is a serious breach of a fundamental tenet of securities regulation; that only those who are qualified and vetted by the registration process are permitted to trade on behalf of or advise New Brunswick clients.

4. POSITION OF THE RESPONDENT

- 4.1 There have been no client complaints and no adverse impact upon the capital markets of New Brunswick as a result of the facts referred to in Part 2 of this agreement.
- 4.2 JFL has cooperated throughout with Staff in the investigation of the activities referred to in Part 2 of this agreement and has responded promptly.

5. JOINT SETTLEMENT RECOMMENDATION

- 5.1 Staff agree to recommend to the Administrator settlement in accordance with the terms and conditions set out below:
- 5.2 JFL agrees to the settlement based on the facts set out in Part 2 and consents to the making of an order on the basis of those facts.
- 5.3 This Settlement Agreement will be released to the public only if and when the settlement is approved by the Administrator.

6. TERMS OF SETTLEMENT

- 6.1 JFL agrees to:
 - a) not make any statement which is inconsistent with the Statement of Facts, after the settlement is approved;
 - b) ensure that no representative sponsored by JFL trades on behalf of New Brunswick residents, without being registered in New Brunswick;
 - c) submit applications and has submitted applications for registration of all representatives who continue to trade on behalf of New Brunswick residents;
 - d) voluntarily pay an amount of \$100,000 to the Public Legal Education and Information

Service ("PLEIS") for the purpose of endeavours or activities that enhance or may enhance capital markets in New Brunswick;

- e) waive any appeal, etc. on the basis of fact, law or jurisdiction with regard to this matter so long as the Agreement is accepted by the Administrator.

7. STAFF COMMITMENT

7.1 Staff agree to:

- a) not seek suspension, cancellation, cease trade or any other disciplinary order in respect of the registration of JFL in relation to the facts set out in Part 2;
- b) not take any separate action against JFL, any of the unregistered representatives of JFL, nor any of the company's officers or directors, in relation to the facts set out in Part 2.

8. PROCEDURE FOR APPROVAL OF SETTLEMENT

8.1 Upon execution of this agreement by Staff and by JFL, Staff will apply to the Administrator for an order approving the terms set out herein.

8.2 If this Settlement Agreement is approved by the Administrator, it will constitute the entirety of the evidence to be submitted respecting JFL in this matter and JFL agrees to waive any right to a hearing or appeal with respect to this matter.

8.3 If, for any reason whatever, this Settlement Agreement is not approved by the Administrator, or the order set forth in Schedule "A" is not made by the Administrator:

- a) Staff and JFL will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing, unaffected by the Settlement Agreement or the settlement negotiations;
- b) 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 Staff, JFL or as may be required by law; and
- c) JFL 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 Administrator, alleged bias, appearance of bias, alleged unfairness or any other challenge that may otherwise be available.

9. DISCLOSURE OF SETTLEMENT AGREEMENT

9.1 The terms of the Settlement Agreement will be treated as confidential by the parties hereto until approved by the Administrator and forever if, for any reason, the Settlement Agreement is not approved by the Administrator.

9.2 Any obligation as to confidentiality shall terminate upon the approval of this Settlement

Agreement by the Administrator and it will become public information.

10. EXECUTION OF SETTLEMENT AGREEMENT

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

Dated at Saint John, New Brunswick this ____ day of ____, 2004.

SIGNED, SEALED AND DELIVERED

Jarislowsky Fraser Limited

By

Staff of the Securities Administration Branch

By
