IN THE MATTER OF
THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES
AND
LEE FRASER HARWOOD

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Corporation[1] will issue a Notice of Application to announce a settlement hearing pursuant to sections 8215 and 8428 of the Investment Dealer and Partially Consolidated Rules (the "Investment Dealer Rules") to consider whether a hearing panel should accept this Settlement Agreement between Enforcement Staff and Lee Fraser Harwood (the "Respondent").

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Enforcement Staff and the Respondent jointly recommend that the hearing panel accept this Settlement Agreement in accordance with the terms and conditions set out below.

PART III – AGREED FACTS

3. For the purposes of this Settlement Agreement, the Respondent agrees with the facts as set out in Part III of this Settlement Agreement.

Overview

4. In July 2018, ("the material period") the Respondent facilitated off-book investments for 16 client accounts ("the Clients"), without the authorization of his employer Dealer Member Scotia Capital Inc. ("Scotia").

Background

5. From July 1981 to January 2019, the Respondent was registered as a representative of Scotia, a New SRO regulated firm.

6. Prior to the material period, he also discharged supervision duties at Scotia, including as assistant branch manager, branch manager, director, and executive vice-president.

7. Since January 2019 , the Respondent has been employed as a representative with BMO Nesbitt Burns Inc., a New SRO regulated firm.

GrowForce Holdings Inc.

8. During the material period, GrowForce Holdings Inc. ("GrowForce") was a private Canadian company active in the cannabis industry.

9. During the material period, MJardin Group Inc. ("MJardin") was a private company operating in the cannabis sector and managed authorized cannabis growing and processing facilities and retail dispensaries in the United States.

10. In December 2018, following a reverse takeover, GrowForce merged with MJardin to become a public company that traded on the Canadian Stock Exchange.

11. In May 2018, the Chief Executive Officer of GrowForce, who was a business acquaintance of the Respondent, spoke with the Respondent about the possibility of Scotia participating in the GrowForce Initial Public Offering ("IPO") and/or a reverse takeover .

Scotia's Refusal to Facilitate GrowForce Private Placement

12. On or about May 19, 2018, the Respondent sent an email to CK, Scotia's Director, Equity Capital Markets, to ask if the firm could participate in a GrowForce private placement.

13. Between May 22 and 29, 2018, CK confirmed to the Respondent via email that Scotia's internal policies did not allow the firm to participate in the cannabis sector and that it would be very difficult for the Respondent to facilitate the settlement of shares for clients.

14. Scotia had issued a bulletin in 2017 confirming, in part, that marijuana-related investments were generally limited to unsolicited transactions in non-managed accounts; and in particular that unsolicited purchases for non-brokered private placements must be within policy and that advisors would not receive commission. However, neither brokered private placements nor IPOs were permitted.

15. On or about May 30, 2018, the Respondent communicated via email with JD, Scotia's Director, Retail Compliance, to inquire about the reasons why Scotia would not permit him to facilitate a private placement in GrowForce for his clients.

16. By email dated May 31, 2018, JD advised the Respondent that Scotia prohibited direct funding of cannabis related companies at that time, and that to permit payment to the issuer on the client's behalf would be a breach of the firm's moratorium in relation to cannabis related investments.

17. By email dated June 11, 2018 JD wrote to TL, Scotia's Director, Global AML/ATF, noting that Scotia would not participate in brokered private placement offerings. JD noted the Respondent's request to invest in GrowForce on an unsolicited basis, which request had been declined. JD also noted that the Respondent was seeking an exception to the firm's

policy and have Scotia facilitate the settlement; and that the alternative option was for his clients to have the transaction executed directly with the issuer (competing firm) or one of the bank-owned firms that would permit this transaction.

18. On or about June 18, 2018, the Respondent sent an email to JD to discuss the GrowForce private placement. The Respondent advised him of the potential asset value that their investments would represent for Scotia and the potential value of the commissions the firm might earn.

19. On or about June 19, 2018, JD confirmed via email that Scotia's risk committee had reviewed the cannabis policy and that the firm could not participate in, or recommend, cannabis private placements; and that even if an investment were facilitated directly with the issuer the Respondent could not receive any remuneration as per the existing policy.

20. On or about June 19, 2018, the Respondent then emailed CG , Scotia's Managing Director and Chief Investment Officer at Scotia Wealth Management, and GP, Scotia's Regional Director, Atlantic, to request an exception from the cannabis policy, which would allow him to facilitate the investment in GrowForce for his Clients.

21. On or about June 22, 2018, CG emailed the Respondent and confirmed that the cannabis policy would not be lifted at anytime in the short term.

22. On or about June 28, 2018 the Respondent emailed GP to again ask if the firm would allow him to facilitate the GrowForce transactions, as he would otherwise have to have his clients open accounts at another dealer member firm to facilitate their purchases.

23. On or about June 29, 2018, GP confirmed via email to the Respondent that the Scotia cannabis policy had not been changed and that the Respondent should assist his clients with his alternative plan.

Scotia's Policies Regarding Off Book Transactions

24. During the material time the Scotia compliance manual read, in part, regarding off book transactions:

> "Firm policies generally prohibit "off-book" transactions and activities.
>
> Any situation where an Advisor arranges, facilitates and/or is compensated for investment or financial sales, services or advice and the relevant transaction is not recorded in the firm's records and reflected in the client's account is considered "off-book"…. IIROC broadly defines client transactions that must be "on-book" to include:
>
> • Making a recommendation to a client, whether the transaction is the Advisor's idea or the client's idea.
>
> • Bringing a client's attention to a possible transaction.
>
> • Arranging a transaction in any way.
>
> Common examples of prohibited activities where Advisors go off-side include:
>
> • Private placements arranged and transacted directly between a client and the issuer or the issuer's agent (e.g. "non-brokered private placements"). "

25. Further to the June 11, 2018 email sent by JD, the Respondent assisted his clients with dealing directly with GrowForce as the issuer and during the month of July 2018, the Respondent requested his assistant on several occasions to contact the Clients, in order to collect and forward relevant documents, including subscription agreements, in connection with the GrowForce private placement. All of the Respondent's and his assistant's emails to and from the Clients were on the Scotia server, at their respective Scotia email addresses.

26. At the Respondent's request, his assistant handled the mailing of the subscription agreements to the Clients, and delivered the cheques issued by the Clients investing in

the GrowForce private placement, to the relevant investment bank. All documents mailed to, and cheques received from clients were delivered and received through Scotia's "cage."

27. The subscription agreements that the Respondent submitted to GrowForce, indicated that the GrowForce subscription receipts were to be delivered to Scotia to the Respondent's attention; the Respondent's position is that this was done in error.

The Clients' Investments in GrowForce

28. The Respondent facilitated the investments in the GrowForce private placement for his clients, all of whom qualified as accredited investors.

29. During the material period the Respondent facilitated the purchase of approximately 3,649,000 shares of GrowForce for his Clients, at a unit price of $3.20 CAD, for a total investment of approximately $11,670,000 CAD.

30. In addition, in July 2018, the Respondent facilitated the purchase of 83,000 shares of the GrowForce private placement in his spouse's family trust account at Scotia which was coded as a PRO account. However, the Respondent did not obtain pre approval for this private placement purchase and did not complete the pre-clearance form as required by the Scotia compliance manual.

31. On or about July 31, 2018, Scotia received correspondence from the law firm representing GrowForce, addressing the process for the deposit of the GrowForce certificates for the Respondent's Clients on the books of the firm. When GP asked the Respondent as to why the law firm had delivered the certificates to Scotia, the Respondent advised that it was done in error.

32. The certificates were not registered with Scotia and on or about December 6, 2018 the firm commenced an internal investigation into the Respondent's conduct. Scotia suspended the Respondent on December 6, 2018 and the suspension remained in place until January 9, 2019, when the Respondent resigned his employment with Scotia and before the investigation was completed.

33. On January 8, 2019 Scotia wrote to several of the Clients to confirm, in part, that Scotia was not involved with the promotion or sale of securities in GrowForce, and that no Scotia investment advisor was authorized to promote the private placement or purchase of GrowForce securities at any time.

Other Factors

34. The Respondent has been under close supervision since January 2019 when he became a registrant with BMO, to the present date.

35. The Respondent received no compensation for his dealings in GrowForce.

36. The Respondent has had no discipline history with the New SRO or its predecessor since 1992 for unrelated conduct.

PART IV – CONTRAVENTIONS

37. By engaging in the conduct described above, the Respondent committed the following contraventions of Corporation requirements:

> In July 2018, the Respondent facilitated off-book investments for various clients without the authorization of his Dealer Member, contrary to Rule 1400 of the Investment Dealer and Partially Consolidated Rules.

PART V – TERMS OF SETTLEMENT

38. The Respondent agrees to the following sanctions and costs:

(i) A fine of $ 40,000

(ii) Close supervision for six (6) months;

(iii) Rewrite the Conduct and Practices Handbook examination within six (6) months; and

(iv) Costs of $5,000.

39. If this Settlement Agreement is accepted by the hearing panel, the Respondent agrees to pay the amounts referred to above within 30 days of such acceptance unless otherwise agreed between Enforcement Staff and the Respondent.

PART VI – STAFF COMMITMENT

40. If the hearing panel accepts this Settlement Agreement, Enforcement Staff will not initiate any further action against the Respondent in relation to the facts set out in Part III and the contraventions in Part IV of this Settlement Agreement, subject to the provisions of the paragraph below.

41. If the hearing panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of this Settlement Agreement, Enforcement Staff may bring proceedings under Investment Dealer Rule 8200 against the Respondent. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement.

PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

42. This Settlement Agreement is conditional on acceptance by the hearing panel.

43. This Settlement Agreement shall be presented to a hearing panel at a settlement hearing in accordance with sections 8215 and 8428 of the Investment Dealer Rules, in addition to any other procedures that may be agreed upon between the parties.

44. Enforcement Staff and the Respondent agree that this Settlement Agreement will form all the agreed facts that will be submitted at the settlement hearing, unless the parties agree that additional facts should be submitted at the settlement hearing. If the Respondent does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the hearing panel.

45. If the hearing panel accepts this Settlement Agreement, the Respondent agrees to waive all rights under the Rules of the Corporation and any applicable legislation to any further hearing, appeal and review.

46. If the hearing panel rejects this Settlement Agreement, Enforcement Staff and the Respondent may enter into another settlement agreement or Enforcement Staff may proceed to a disciplinary hearing based on the same or related allegations.

47. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the hearing panel.

48. This Settlement Agreement will become available to the public upon its acceptance by the hearing panel and the Corporation will post a copy of this Settlement Agreement on the Corporation website. The Corporation will publish a notice and news release of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement and the hearing panel's written reasons for its decision to accept this Settlement Agreement.

49. If this Settlement Agreement is accepted, the Respondent agrees that neither they nor anyone on their behalf, will make a public statement inconsistent with this Settlement Agreement.

50. This Settlement Agreement is effective and binding upon the Respondent and Enforcement Staff as of the date of its acceptance by the hearing panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

51. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.

52. An electronic copy of any signature will be treated as an original signature.

DATED this "17" day of "March", 2023.

"Zachary Pringle"
Witness

"Lee F. Harwood"
Lee Fraser Harwood

DATED this "17th" day of "March", 2023.

"Witness"
Witness

"Natalija Popovic"
Natalija Popovic
Enforcement Counsel on behalf of Enforcement Staff of the Corporation

The Settlement Agreement is hereby accepted this "21" day of "April", 2023 by the following Hearing panel:

Per: "R. Scott Peacock"
Chair

Per: "Ann Etter"
Industry Member

Per: "David A. Smith"
Industry Member

[1]On January 1, 2023, IIROC and the MFDA were consolidated into a single self-regulatory organization recognized under applicable securities legislation. The New Self-Regulatory Organization of Canada (the "Corporation") has adopted interim rules that incorporate the pre-amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-law, rules and policies of the MFDA (the "Interim Rules"). The Interim Rules include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the UMIR and (iii) the Mutual Fund Dealer Rules. These rules are largely based on the rules of IIROC and the rules and certain by-laws and policies of the MFDA that were in force immediately prior to amalgamation. Where the rules of IIROC and the rules and by-laws and policies of the MFDA that were in force immediately prior to amalgamation have been incorporated into the Interim Rules, Enforcement Staff have referenced the relevant section of the Interim Rules.