

**IN THE MATTER OF THE SECURITIES
ACT, R.S.O. 1990, c. S.5, AS AMENDED**

and

**IN THE MATTER OF RONALD JAMES OVENDEN,
NEW SOLUTIONS CAPITAL INC., NEW
SOLUTIONS FINANCIAL CORPORATION AND
NEW SOLUTIONS FINANCIAL (II) CORPORATION**

**SETTLEMENT AGREEMENT BETWEEN STAFF OF THE
ONTARIO SECURITIES COMMISSION, NEW SOLUTIONS
FINANCIAL CORPORATION AND NEW SOLUTIONS FINANCIAL
(II) CORPORATION**

PART I - INTRODUCTION

1. The Ontario Securities Commission (the "Commission") will issue a Notice of Hearing to announce that it will hold a hearing to consider whether pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "*Securities Act*") it is in the public interest for the Commission to make certain orders in respect of New Solutions Financial Corporation ("NSFC") and New Solutions Financial (II) Corporation ("NSFII").

PART II - JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission ("Staff") agree to recommend settlement of the proceeding commenced by Notice of Hearing (the "Proceeding") against NSFC and NSFII according to the terms and conditions set out in Part VI of this settlement agreement (the "Settlement Agreement"). NSFC and NSFII agree to the making of an order in substantially the same form attached as Schedule "A" based on the facts set out below.

PART III - AGREED FACTS

3. For the Proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, NSFC and NSFII agree with the facts as set out in this Part III of this Settlement Agreement.

Ovenden and the New Solutions Companies

Ronald James Ovenden

4. Ronald James Ovenden ("Ovenden") is 57 years old and a resident of Georgetown, Ontario. Ovenden was registered with the Commission in various capacities throughout the relevant period, January 1, 2009 to January 5, 2012 (the "Relevant Period"). As of January 19, 2009, Ovenden was registered as a trading officer, and approved as a designated compliance officer and director of New Solutions Capital Inc. ("NSCI"). On September 28, 2009, with the implementation of National Instrument 31-103 - Registration Requirements, Exemptions and Ongoing Registrant Obligations ("NI 31-103"), the trading officer category was changed to dealing representative and officer, the designated compliance officer approval category was removed, and NSCI's registration category of limited market dealer ("LMD") was changed to exempt market dealer ("EMD").

5. Ovenden was registered as the ultimate designated person ("UDP") and chief compliance officer ("CCO") of NSCI on March 4, 2010. Ovenden's CCO category of registration was surrendered on October 13, 2010. On October 18, 2010, Ovenden's registration as a dealing representative was surrendered because he did not meet the new proficiency requirements under NI 31-103. Ovenden remained with NSCI as an officer, director and registered UDP until April 26, 2012, when his registration was suspended.

6. Ovenden was the sole director and officer of each of NSCI, NSFC and NSFII (collectively the "New Solutions Companies") during the Relevant Period.

7. Throughout the Relevant Period, Ovenden was the sole directing and controlling mind of each of the New Solutions Companies.

New Solutions Capital Inc.

8. NSCI is an Ontario corporation, and was registered as an LMD from June 14, 2006 until January 1, 2009, when its registration was suspended for non-payment of annual participation fees. NSCI's registration as an LMD was reinstated on January 19, 2009. On September 28, 2009, NSCI's LMD registration category was changed to EMD with the implementation of NI 31-103. NSCI's registration was suspended on April 26, 2012.

9. NSCI traded in debentures issued by NSFII.

New Solutions Financial (II) Corporation

10. NSFII was incorporated federally and has never been registered with the Commission. NSFII was not a reporting issuer in Ontario during the Relevant Period.

11. NSFII issued debentures to investors throughout Canada.

New Solutions Financial Corporation

12. NSFC was incorporated in Ontario and has never been registered with the Commission.

13. NSFC managed and administered NSFII. NSFII advanced funds raised from investors who purchased NSFII debentures to NSFC. NSFC in turn advanced the funds to persons and companies in the form of factored receivables and loans.

Trades in NSFII Debentures to Investors

14. During the Relevant Period, Ovenden and the New Solutions Companies made approximately 190 trades in debentures of NSFII to new and existing investors with a value of approximately \$25,000,000.00.

Misrepresentations and Omissions

15. Through interactions with investors and potential investors, and documents provided to them, referred to below, NSFC and NSFII misled and/or failed to properly

inform investors and potential investors about the true state of affairs of NSFC and its underlying portfolio, and the risks associated with investing in NSFII debentures.

16. NSFC and NSFII also failed to properly inform investors and potential investors that their funds would be loaned to companies owned and/or controlled directly or indirectly by Ovenden, to Ovenden's associates, friends and/or family members and/or to companies owned and/or controlled directly or indirectly by Ovenden's associates, friends and/or family members.

(a) Promotional Materials and Offering Memoranda

17. During the Relevant Period, investors and potential investors were variously provided with:

- NSFC Semi-Annual Reports dated February 2009, August 2009, February 2010, Summer 2010 and Winter 2011;
- a brochure entitled "New Solutions Financial (II) Corporation 1-Year, 3-Year, 5-Year Non-Redeemable, Non-Convertible Secured Term Debentures" (the "Debentures Brochure");
- a brochure entitled "Top 5 Questions for New Solutions Financial (II) Corporation Secured Term Debentures" (the "Top 5 Brochure");
- a brochure entitled "A Conservative Entrepreneurial Investment" (the "Conservative Brochure");
- an NSFII offering memorandum dated December 15, 2008 (the "2008 OM"); and
- an NSFII offering memorandum dated August 10, 2010 (the "2010 OM").

(b) Risks Associated with Investment

18. The February 2009 Semi-Annual Report was co-signed by Ovenden as Chair and Chief Executive Officer of NSFC. It stated that NSFC offered "**safe above market returns** to [its] investors" with the objective of maximizing returns "while maintaining an acceptable risk profile in all the lending transactions [it] become[s] involved in." The same report also provided that "the **success of [its] borrowers** continue[s] to be the prime factors in [its] success."

19. The brochures included claims that:
- the investments were "**[b]acked by a portfolio of managed receivables from companies with deemed "A" credit ratings or better**" and offered "safety of investment from: [d]iversification of [the] underlying borrower pool" (Debentures Brochure);
 - "[d]iversification of [an] **"A" rated or better quality accounts receivable pool**" (Debentures Brochure);
 - "[NSFC]...will use proceeds to lend/factor against **"A" rated or better**¹ accounts receivables owed to borrowing merchants" (Top 5 Brochure);
 - "An Investment in New Solutions Financial Corporation Debentures Provides Access to:...**[c]onservative structure and historical surplus security**" (Conservative Brochure); and
 - "A stringent approach to asset based lending provides an investor **an acceptable low-risk way to generate returns.**" (Conservative Brochure).
20. Contrary to the statements referred to above, NSFC provided bridge loans, asset-based financing services and other credit facilities to high risk entities.

(c) Loans to Ovenden's Companies, His Associates' Companies and Others

21. While the 2008 and 2010 OMs each contained a section entitled "Risk Factors," neither disclosed that a substantial portion of the total dollar amount of outstanding loans were made to companies owned and/or controlled directly or indirectly by Ovenden, to Ovenden's associates, friends and/or family members and/or to companies owned and/or controlled directly or indirectly by Ovenden's associates, friends and/or family members.

22. Ovenden co-signed a certificate dated December 15, 2008 by which he certified that the 2008 OM did not contain a misrepresentation. Ovenden signed a certificate dated August 10, 2010 by which he certified that the 2010 OM did not contain a misrepresentation.

23. As at June 30, 2009, at least 34% of the outstanding advances made by NSFC were to companies owned and/or controlled directly or indirectly by Ovenden. During the same period, at least 24% of the outstanding advances made by NSFC were to

¹ Emphasis in original. All other emphasis added in this part (b).

Ovenden's associates, friends and/or family members and/or to companies owned and/or controlled directly or indirectly by Ovenden's associates, friends and/or family members.

(d) Quality of Loans

24. Each of the Semi-Annual Reports contained a statement that for each dollar of investment, a specified amount was held in security value. In the Semi-Annual Reports during the Relevant Period, the purported security values ranged from \$1.81 to \$2.20 for each dollar of investment.

25. During the course of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") proceeding described below, after the sale of the most valuable asset, as at January 2013, gross realizations on the security were only \$0.08 per \$1.00.

Proceeding under the *Companies' Creditors Arrangement Act*

26. On application made by NSFC, NSFII, New Solutions Financial (III) Corporation, New Solutions Financial (VI) Corporation and 2055596 Ontario Limited (the "Companies"), pursuant to the *CCAA*, the Ontario Superior Court of Justice issued an order (the "CCAA Order") on April 11, 2012 granting protection to the Companies. The *CCAA* Order was subsequently extended on May 7, 2012, July 31, 2012, October 4, 2012, November 29, 2012, December 6, 2012 and January 25, 2013. Under the *CCAA* Order, MNP Ltd. was appointed as monitor for the Companies to monitor the business and financial affairs of the Companies. The *CCAA* proceeding is ongoing.

PART IV - CONDUCT CONTRARY TO THE PUBLIC INTEREST

27. In the manner described above, NSFC and NSFII engaged in conduct contrary to the public interest during the Relevant Period.

PART V - TERMS OF SETTLEMENT

28. NSFC and NSFII agree to the terms of settlement set out below.
29. The Commission will make an order pursuant to subsection 127(1) of the *Securities Act* that:
- (a) the Settlement Agreement is approved;
 - (b) neither NSFC nor NSFII shall apply for or obtain registration with the Commission;
 - (c) NSFC and NSFII shall each permanently cease trading in any securities and derivatives as of the date of the order approving this Settlement Agreement (the “Order”);
 - (d) NSFC and NSFII shall each permanently cease acquisitions of any securities as of the date of the Order;
 - (e) any exemptions in Ontario securities law shall not apply to NSFC and NSFII permanently as of the date of the Order;
 - (f) NSFC and NSFII shall each be reprimanded; and
 - (g) NSFC and NSFII are prohibited permanently from becoming or acting as a registrant, as an investment fund manager or as a promoter.
30. NSFC and NSFII consent to a regulatory order made by any securities regulatory authority containing any or all of the sanctions set out in paragraph 29, above. These sanctions may be modified to reflect the provisions of the relevant securities law in that jurisdiction.

PART VI - STAFF COMMITMENT

31. If this Settlement Agreement is approved by the Commission, Staff will not commence any other proceeding under Ontario securities law against NSFC and NSFII respecting the facts set out in Part III of the Settlement Agreement, subject to the provisions of paragraph 32 below.

32. If the Commission approves this Settlement Agreement and NSFC and/or NSFII fail to comply with any of the terms of the Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against NSFC and/or NSFII. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement as well as any breach of the Settlement Agreement.

PART VII - PROCEDURE FOR APPROVAL OF SETTLEMENT

33. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission according to the procedures set out in this Settlement Agreement and the Commission's Rules of Procedure.

34. Staff, NSFC and NSFII agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing regarding NSFC's and NSFII's conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.

35. If the Settlement Agreement is approved by the Commission, NSFC and NSFII each agree to waive all of their rights to a full hearing, judicial review or appeal of the matter under the *Securities Act*.

36. If the Commission approves this Settlement Agreement, none of the parties will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.

37. Whether or not the Commission approves this Settlement Agreement, neither NSFC nor NSFII will use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this agreement as the basis for any attack on the

Commission's jurisdiction, alleged bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

PART VIII - DISCLOSURE OF SETTLEMENT AGREEMENT

38. If the Commission does not approve this Settlement Agreement or does not make the Order in substantially the same form as attached at Schedule "A":

- (a) this Settlement Agreement and all discussions and negotiations between Staff, NSFC and NSFII before the settlement hearing takes place will be without prejudice to Staff, NSFC and NSFII; and
- (b) Staff, NSFC and NSFII will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Statement of Allegations. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.

39. The parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement. At that time, the parties will no longer have to maintain confidentiality regarding the terms of the Settlement Agreement. If the Commission does not approve the Settlement Agreement, the parties must continue to keep the terms of the Settlement Agreement confidential, unless they agree in writing not to do so or if required by law.

PART IX - EXECUTION OF SETTLEMENT AGREEMENT

40. The Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

41. A facsimile or email copy of any signature shall be as effective as an original signature.

DATED this 28th day of March, 2013

“New Solutions Financial Corporation by its Court-Appointed Chief Restructuring Organization 4th & Meadowbrook Consulting Inc. per Robert So”

New Solutions Financial Corporation
I have authority to bind the corporation.

DATED this 28th day of March, 2013

“New Solutions Financial (II) Corporation by its Court-Appointed Chief Restructuring Organization 4th & Meadowbrook Consulting Inc. per Robert So”

New Solutions Financial (II) Corporation
I have authority to bind the corporation.

DATED this 28th day of March, 2013

“Tom Atkinson”

Tom Atkinson, Director

Enforcement Branch
Ontario Securities Commission

“Schedule A”



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 19th Floor
20 Queen Street West
Toronto ON M5H 3S8

CP 55, 19e étage
20, rue queen ouest
Toronto ON M5H 3S8

**IN THE MATTER OF THE SECURITIES
ACT R.S.O. 1990, c. S.5, AS AMENDED**

- and -

**IN THE MATTER OF RONALD JAMES OVENDEN, NEW
SOLUTIONS CAPITAL INC., NEW SOLUTIONS
FINANCIAL CORPORATION AND NEW SOLUTIONS
FINANCIAL (II) CORPORATION**

-and-

**IN THE MATTER OF A SETTLEMENT AGREEMENT BETWEEN STAFF OF
THE ONTARIO SECURITIES COMMISSION, NEW SOLUTIONS FINANCIAL
CORPORATION AND NEW SOLUTIONS FINANCIAL (II) CORPORATION**

**ORDER
(Section 127)**

WHEREAS on March 28, 2013, the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “*Securities Act*”) in respect of Ronald James Ovenden (“Ovenden”), New Solutions Capital Inc. (“NSCI”), New Solutions Financial Corporation (“NSFC”) and New Solutions Financial (II) Corporation (“NSFII”);

AND WHEREAS on March 28, 2013, Staff of the Commission (“Staff”) filed a Statement of Allegations in respect of the same matter;

AND WHEREAS NSFC and NSFII entered into a Settlement Agreement dated March 28, 2013 (the “Settlement Agreement”) in relation to certain matters set out in the Statement of Allegations;

AND WHEREAS the Commission issued a Notice of Hearing in respect of the Settlement Agreement dated March 28, 2013;

AND WHEREAS on April 11, 2012, the Commission ordered that all trading in the securities of NSFC, NSFII, New Solutions Financial (III) Corporation (“NSFIII”) and New Solutions Financial (VI) Corporation (“NSFVI”) cease immediately, that NSCI, NSFC, NSFII, NSFIII, NSFVI, their employees, representatives and Ovenden cease trading in all securities of NSFC, NSFII, NSFIII, and NSFVI immediately, that any exemptions contained in Ontario securities law do not apply to NSCI, NSFC, NSFII, NSFIII, NSFVI, their employees, representatives and Ovenden, and that the order take effect immediately and expire on the fifteenth day after its making unless extended by an order of the Commission (the “Temporary Order”);

AND WHEREAS on April 25, 2012 the Commission extended the Temporary Order for a period of 6 months until October 12, 2012 at 9:00 a.m. and adjourned the hearing of the matter to October 11, 2012 or such other date or time as set by the Office of the Secretary and agreed to by the parties (the “April Order”);

AND WHEREAS on October 11, 2012 the Commission extended the Temporary Order until May 10, 2013 and adjourned the hearing of the matter to May 9, 2013 at 10:00 a.m. or to such other date or time as set by the Office of the Secretary and agreed to by the parties (the “October Order”);

UPON reviewing the Settlement Agreement, the Notices of Hearing, the Statement of Allegations, the Temporary Order, the April Order and the October Order, and upon considering the submissions of NSFC and NSFII through their counsel and of Staff;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order;

IT IS HEREBY ORDERED that:

- (a) the Settlement Agreement is approved;
- (b) neither NSFC nor NSFII shall apply for or obtain registration with the Commission;
- (c) NSFC and NSFII shall each permanently cease trading in any securities and derivatives as of the date of the order approving this Settlement Agreement (the “Order”);
- (d) NSFC and NSFII shall each permanently cease acquisitions of any securities as of the date of the Order;
- (e) any exemptions in Ontario securities law shall not apply to NSFC and NSFII permanently as of the date of the Order;
- (f) NSFC and NSFII shall each be reprimanded;
- (g) NSFC and NSFII are prohibited permanently from becoming or acting as a registrant, as an investment fund manager or as a promoter; and
- (h) the Temporary Order, the April Order and the October Order are vacated only in respect of NSFC and NSFII.

DATED at Toronto this day of 2013.