The Ontario Securities Commission

OSC Bulletin

August 13, 2010

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The Ontario Securities Commission administers the
Securities Act of Ontario (R.S.O. 1990, c. S.5) and the
Commodity Futures Act of Ontario (R.S.O. 1990, c. C.20)

The Ontario Securities Commission
Cadillac Fairview Tower
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Toronto, Ontario
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Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

August 13, 2010

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

Unless otherwise indicated in the date column, all hearings will take place at the following location:

The Harry S. Bray Hearing Room
Ontario Securities Commission
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Carol S. Perry	—	CSP
Charles Wesley Moore (Wes) Scott	—	CWMS

SCHEDULED OSC HEARINGS

August 16, 2010	**Albert Leslie James, Ezra Douse and Dominion Investments Club Inc.**
2:30 p.m.	s. 127 and 127.1
	H. Daley in attendance for Staff
	Panel: PJL
August 30, 2010	**Brilliante Brasilcan Resources Corp., York Rio Resources Inc., Brian W. Aidelman, Jason**
11:00 a.m.	**Georgiadis, Richard Taylor and Victor York**
	s. 127
	H. Craig in attendance for Staff
	Panel: MGC
September 1, 2010	**Global Energy Group, Ltd., New Gold Limited Partnerships, Christina Harper, Vadim Tsatskin, Michael**
1:00 p.m.	**Schaumer, Elliot Feder, Oded Pasternak, Alan Silverstein, Herbert Groberman, Allan Walker, Peter Robinson, Vyacheslav Brikman, Nikola Bajovski, Bruce Cohen and Andrew Shiff**
	s. 37, 127 and 127.1
	H. Craig in attendance for Staff
	Panel: JDC
September 1, 2010	**Christina Harper, Howard Rash, Michael Schaumer, Elliot Feder, Vadim Tsatskin, Oded**
1:00 p.m.	**Pasternak, Alan Silverstein, Herbert Groberman, Allan Walker, Peter Robinson, Vyacheslav Brikman, Nikola Bajovski, Bruce Cohen and Andrew Shiff**
	s. 127
	H. Craig in attendance for Staff
	Panel: JDC

September 1, 2010 1:00 p.m.	**Global Energy Group, Ltd. and New Gold Limited Partnerships** s. 127 H. Craig in attendance for Staff Panel: JDC
September 2, 2010 10:00 a.m.	**Abel Da Silva** s. 127 M. Boswell in attendance for Staff Panel: TBA
September 3, 2010 10:00 a.m.	**Gold-Quest International, Health and Harmoney, Iain Buchanan and Lisa Buchanan** s. 127 H. Craig in attendance for Staff Panel: JEAT/CSP/SA
September 7-10, 2010 10:00 a.m.	**Maple Leaf Investment Fund Corp., Joe Henry Chau (aka: Henry Joe Chau, Shung Kai Chow and Henry Shung Kai Chow), Tulsiani Investments Inc., Sunil Tulsiani and Ravinder Tulsiani** s. 127 M. Vaillancourt/T. Center in attendance for Staff Panel: PJL/CSP
September 8, 2010 10:00 a.m.	**TBS New Media Ltd., TBS New Media PLC, CNF Food Corp., CNF Candy Corp., Ari Jonathan Firestone and Mark Green** s. 127 H. Craig in attendance for Staff Panel: JEAT
September 8, 2010 10:30 a.m.	**Lehman Brothers & Associates Corp., Greg Marks, Michael Lehman (a.k.a. Mike Laymen), Kent Emerson Lounds and Gregory William Higgins** s. 127 H. Craig in attendance for Staff Panel: JEAT
September 13, 15-24, 2010 10:00 a.m.	**New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc., New Life Capital Strategies Inc., 1660690 Ontario Ltd., L. Jeffrey Pogachar, Paola Lombardi and Alan S. Price** s. 127 M. Britton in attendance for Staff Panel: TBA
September 13, 2010 11:00 a.m.	**Sulja Bros. Building Supplies, Ltd., Petar Vucicevich, Kore International Management Inc., Andrew Devries, Steven Sulja, Pranab Shah, Tracey Banumas and Sam Sulja** s. 127 and 127.1 J. Feasby in attendance for Staff Panel: PJL/SA
September 15, 20-21, 23-24, 27, 29, October 1, 4, 13-19, 21-22, 2010 10:00 a.m.	
September 15-17, 20-21, 24, 2010 October 4, 6-8, 13-15, 18-19, 25, 27-29, November 1-3, December 1-3, 8-17, 2010 10:00 a.m.	**Coventree Inc., Geoffrey Cornish and Dean Tai** s. 127 J. Waechter in attendance for Staff Panel: JEAT/MGC/PLK

September 22, 2010 9:00 a.m.	**Rezwealth Financial Services Inc., Pamela Ramoutar, Chris Ramoutar, Justin Ramoutar, Tiffin Financial Corporation, Daniel Tiffin, 2150129 Ontario Inc. and Sylvan Blackett** s. 127(1) and (5) A. Heydon in attendance for Staff Panel: TBA
September 27 – October 1, 2010 10:00 a.m.	**Chartcandle Investments Corporation, CCI Financial, LLC, Chartcandle Inc., PSST Global Corporation, Stephen Michael Chesnowitz and Charles Pauly** s. 127 and 127.1 S. Horgan in attendance for Staff Panel: MCH/CWMS
September 29 – October 1, 2010 10:00 a.m.	**Wilton J. Neale, Multiple Streams of Income (MSI) Inc., and 360 Degree Financial Services Inc.** s. 127 and 127.1 H. Daley in attendance for Staff Panel: JEAT/CSP
October 4-8, 13-15, December 6, 8-10, 2010 10:00 a.m.	**Sextant Capital Management Inc., Sextant Capital GP Inc., Otto Spork, Robert Levack and Natalie Spork** s. 127 T. Center in attendance for Staff Panel: JDC/CSP
October 13, 2010 10:00 a.m.	**Ameron Oil and Gas Ltd. and MX-IV, Ltd.** s. 127 M. Boswell in attendance for Staff Panel: TBA
October 13, 2010 10:30 a.m.	**QuantFX Asset Management Inc., Vadim Tsatskin, Lucien Shtromvaser and Rostislav Zemlinsky** s. 127 H. Craig in attendance for Staff Panel: TBA
October 21, 2010 10:00 a.m.	**Ciccone Group, Medra Corporation, 990509 Ontario Inc., Tadd Financial Inc., Cachet Wealth Management Inc., Vince Ciccone, Darryl Brubacher, Andrew J. Martin., Steve Haney, Klaudiusz Malinowski and Ben Giangrosso** s. 127 P. Foy in attendance for Staff Panel: TBA
October 25-29, 2010 10:00 a.m.	**IBK Capital Corp. and William F. White** s. 127 M. Vaillancourt in attendance for Staff Panel: TBA
November 15-18, November 24-December 2, 2010 10:00 a.m.	**Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fund and Roy Brown (a.k.a. Roy Brown-Rodrigues)** s. 127 and 127.1 D. Ferris in attendance for Staff Panel: TBA
November 22, 2010 10:00 a.m.	**Georges Benarroch, Linda Kent, Marjorie Ann Glover and Credifinance Securities Limited** s. 21.7 A. Heydon in attendance for Staff Panel: JDC/CSP

November 29, 2010 9:30 a.m.	**Irwin Boock, Stanton Defreitas, Jason Wong, Saudia Allie, Alena Dubinsky, Alex Khodjiaints Select American Transfer Co., Leasesmart, Inc., Advanced Growing Systems, Inc., International Energy Ltd., Nutrione Corporation, Pocketop Corporation, Asia Telecom Ltd., Pharm Control Ltd., Cambridge Resources Corporation, Compushare Transfer Corporation, Federated Purchaser, Inc., TCC Industries, Inc., First National Entertainment Corporation, WGI Holdings, Inc. and Enerbrite Technologies Group** s. 127 and 127.1 H. Craig in attendance for Staff Panel: MGC
December 2, 2010 9:30 a.m.	**Richvale Resource Corp., Marvin Winick, Howard Blumenfeld, Pasquale Schiavone, and Shafi Khan** s. 127(7) and 127(8) H. Craig in attendance for Staff Panel: TBA
January 10, 12-21, 24, 2011 10:00 a.m.	**Carlton Ivanhoe Lewis, Mark Anthony Scott, Sedwick Hill, Leverage Pro Inc., Prosporex Investment Club Inc., Prosporex Investments Inc., Prosporex Ltd., Prosporex Inc., Prosporex Forex SPV Trust, Networth Financial Group Inc., and Networth Marketing Solutions** s. 127 and 127.1 H. Daley in attendance for Staff Panel: TBA
January 17-21, 2011 10:00 a.m.	**Merax Resource Management Ltd. carrying on business as Crown Capital Partners, Richard Mellon and Alex Elin** s. 127 H. Craig in attendance for Staff Panel: TBA
January 31 – February 7, February 9-18, February 23, 2011 10:00 a.m.	**Anthony Ianno and Saverio Manzo** s. 127 and 127.1 A. Clark in attendance for Staff Panel: TBA
January 31, February 1-7, 9-11, 2011 10:00 a.m.	**Nest Acquisitions and Mergers, IMG International Inc., Caroline Myriam Frayssignes, David Pelcowitz, Michael Smith, and Robert Patrick Zuk** s. 37, 127 and 127.1 C. Price in attendance for Staff Panel: TBA
February 11, 2011 10:00 a.m.	**Shallow Oil & Gas Inc., Eric O'Brien, Abel Da Silva, Gurdip Singh Gahunia aka Michael Gahunia and Abraham Herbert Grossman aka Allen Grossman** s. 127(7) and 127(8) M. Boswell in attendance for Staff Panel: TBA
February 14-18, February 23 – March 7, March 9-11, 2011 10:00 a.m.	**Agoracom Investor Relations Corp., Agora International Enterprises Corp., George Tsiolis and Apostolis Kondakos (a.k.a. Paul Kondakos)** s. 127 T. Center in attendance for Staff Panel: TBA
February 25, 2011 10:00 a.m.	**Hillcorp International Services, Hillcorp Wealth Management, Suncorp Holdings, 1621852 Ontario Limited, Steven John Hill, and Danny De Melo** s. 127 A. Clark in attendance for Staff Panel: TBA
March 1-7, 9-11, 21 & 23-31, 2011 10:00 a.m.	**Paul Donald** s. 127 C. Price in attendance for Staff Panel: TBA

March 7, 2011 10:00 a.m.	**Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton** s. 127 H. Craig in attendance for Staff Panel: TBA
March 30, 2011 10:00 a.m.	**Oversea Chinese Fund Limited Partnership, Weizhen Tang and Associates Inc., Weizhen Tang Corp., and Weizhen Tang** s. 127 and 127.1 M. Britton in attendance for Staff Panel: TBA
TBA	**Yama Abdullah Yaqeen** s. 8(2) J. Superina in attendance for Staff Panel: TBA
TBA	**Microsourceonline Inc., Michael Peter Anzelmo, Vito Curalli, Jaime S. Lobo, Sumit Majumdar and Jeffrey David Mandell** s. 127 J. Waechter in attendance for Staff Panel: TBA
TBA	**Frank Dunn, Douglas Beatty, Michael Gollogly** s. 127 K. Daniels in attendance for Staff Panel: TBA
TBA	**Gregory Galanis** s. 127 P. Foy in attendance for Staff Panel: TBA
TBA	**Biovail Corporation, Eugene N. Melnyk, Brian H. Crombie, John R. Miszuk and Kenneth G. Howling** s. 127(1) and 127.1 J. Superina, A. Clark in attendance for Staff Panel: TBA
TBA	**Global Partners Capital, Asia Pacific Energy Inc., 1666475 Ontario Inc. operating as "Asian Pacific Energy", Alex Pidgeon, Kit Ching Pan also known as Christine Pan, Hau Wai Cheung, also known as Peter Cheung, Tony Cheung, Mike Davidson, or Peter McDonald, Gurdip Singh Gahunia also known as Michael Gahunia or Shawn Miller, Basis Marcellinius Toussaint also known as Peter Beckford, and Rafique Jiwani also known as Ralph Jay** s. 127 M. Boswell in attendance for Staff Panel: TBA
TBA	**FactorCorp Inc., FactorCorp Financial Inc. and Mark Twerdun** s. 127 C. Price in attendance for Staff Panel: TBA
TBA	**MRS Sciences Inc. (formerly Morningside Capital Corp.), Americo DeRosa, Ronald Sherman, Edward Emmons and Ivan Cavric** s. 127 and 127(1) D. Ferris in attendance for Staff Panel: TBA

TBA

Imagin Diagnostic Centres Inc., Patrick J. Rooney, Cynthia Jordan, Allan McCaffrey, Michael Shumacher, Christopher Smith, Melvyn Harris and Michael Zelyony

s. 127 and 127.1

J. Feasby in attendance for Staff

Panel: TBA

TBA

Goldpoint Resources Corporation, Lino Novielli, Brian Moloney, Evanna Tomeli, Robert Black, Richard Wylie and Jack Anderson

s. 127(1) and 127(5)

M. Boswell in attendance for Staff

Panel: TBA

TBA

Lehman Cohort Global Group Inc., Anton Schnedl, Richard Unzer, Alexander Grundmann and Henry Hehlsinger

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA

Goldbridge Financial Inc., Wesley Wayne Weber and Shawn C. Lesperance

s. 127

C. Johnson in attendance for Staff

Panel: TBA

TBA

Borealis International Inc., Synergy Group (2000) Inc., Integrated Business Concepts Inc., Canavista Corporate Services Inc., Canavista Financial Center Inc., Shane Smith, Andrew Lloyd, Paul Lloyd, Vince Villanti, Larry Haliday, Jean Breau, Joy Statham, David Prentice, Len Zielke, John Stephan, Ray Murphy, Alexander Poole, Derek Grigor and Earl Switenky

s. 127 and 127.1

Y. Chisholm in attendance for Staff

Panel: TBA

TBA

Rene Pardo, Gary Usling, Lewis Taylor Sr., Lewis Taylor Jr., Jared Taylor, Colin Taylor and 1248136 Ontario Limited

s. 127

M. Britton/J.Feasby in attendance for Staff

Panel: TBA

TBA

Uranium308 Resources Inc., Michael Friedman, George Schwartz, Peter Robinson, and Shafi Khan

s. 127

M. Boswell in attendance for Staff

Panel: TBA

TBA

Innovative Gifting Inc., Terence Lushington, Z2A Corp., and Christine Hewitt

s. 127

M. Boswell in attendance for Staff

Panel: TBA

TBA

Gold-Quest International, 1725587 Ontario Inc. carrying on business as Health and Harmoney, Harmoney Club Inc., Donald Iain Buchanan, Lisa Buchanan and Sandra Gale

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA

Lyndz Pharmaceuticals Inc., James Marketing Ltd., Michael Eatch and Rickey McKenzie

s. 127(1) and (5)

J. Feasby in attendance for Staff

Panel: TBA

TBA **M P Global Financial Ltd., and Joe Feng Deng**

s. 127(1)

M. Britton in attendance for Staff

Panel: TBA

TBA **Nelson Financial Group Ltd., Nelson Investment Group Ltd., Marc D. Boutet, Stephanie Lockman Sobol, Paul Manuel Torres, H.W. Peter Knoll**

s. 127

P. Foy in attendance for Staff

Panel: TBA

TBA **Peter Robinson and Platinum International Investments Inc.**

s. 127

M. Boswell in attendance for Staff

Panel: TBA

TBA **Sunil Tulsiani, Tulsiani Investments Inc., Private Investment Club Inc., and Gulfland Holdings LLC**

s. 127

J. Feasby in attendance for Staff

Panel: TBA

TBA **Shane Suman and Monie Rahman**

s. 127 and 127(1)

C. Price in attendance for Staff

Panel: JEAT/PLK

TBA **Paladin Capital Markets Inc., John David Culp and Claudio Fernando Maya**

s. 127

C. Price in attendance for Staff

Panel: TBA

TBA **York Rio Resources Inc., Brilliante Brasilcan Resources Corp., Victor York, Robert Runic, George Schwartz, Peter Robinson, Adam Sherman, Ryan Demchuk, Matthew Oliver, Gordon Valde and Scott Bassingdale**

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA **Axcess Automation LLC, Axcess Fund Management, LLC, Axcess Fund, L.P., Gordon Alan Driver and David Rutledge, Steven M. Taylor and International Communication Strategies**

s. 127

Y. Chisholm in attendance for Staff

Panel: TBA

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

S. B. McLaughlin

Livent Inc., Garth H. Drabinsky, Myron I. Gottlieb, Gordon Eckstein, Robert Topol

Portus Alternative Asset Management Inc., Portus Asset Management Inc., Boaz Manor, Michael Mendelson, Michael Labanowich and John Ogg

Maitland Capital Ltd., Allen Grossman, Hanouch Ulfan, Leonard Waddingham, Ron Garner, Gord Valde, Marianne Hyacinthe, Diana Cassidy, Ron Catone, Steven Lanys, Roger McKenzie, Tom Mezinski, William Rouse and Jason Snow

LandBankers International MX, S.A. De C.V.; Sierra Madre Holdings MX, S.A. De C.V.; L&B LandBanking Trust S.A. De C.V.; Brian J. Wolf Zacarias; Roger Fernando Ayuso Loyo, Alan Hemingway, Kelly Friesen, Sonja A. McAdam, Ed Moore, Kim Moore, Jason Rogers and Dave Urrutia

Hollinger Inc., Conrad M. Black, F. David Radler, John A. Boultbee and Peter Y. Atkinson

1.2 Notices of Hearing

1.2.1 Robert Joseph Vanier (a.k.a. Carl Joseph Gagnon) – ss. 127, 127.1

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

AND

IN THE MATTER OF
ROBERT JOSEPH VANIER
(a.k.a. CARL JOSEPH GAGNON)

NOTICE OF HEARING
(Section 127 and 127.1)

TAKE NOTICE that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), at the offices of the Commission located at 20 Queen Street West, Toronto, 17th Floor, on August 9, 2010 at 10:00 am or as soon thereafter as the hearing can be held;

AND TAKE NOTICE that the purpose of the hearing is for the Commission to consider whether it is in the public interest to approve a settlement agreement entered into between Staff of the Commission and the Respondent, and to consider a motion for an order that the proceeding be held *in camera*;

BY REASON OF the allegations set out in the Statement of Allegations of Staff of the Commission dated March 29, 2010 and such additional allegations as counsel may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceeding may be represented by counsel, if that party attends or submits evidence at the hearing;

AND TAKE FURTHER NOTICE that upon the failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party, and such party is not entitled to any further notice of the proceeding.

DATED at Toronto this 6th day of August, 2010.

"John Stevenson"
Secretary to the Commission

1.4 Notices from the Office of the Secretary

1.4.1 Robert Joseph Vanier (a.k.a. Carl Joseph Gagnon)

FOR IMMEDIATE RELEASE
August 6, 2010

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

AND

IN THE MATTER OF
ROBERT JOSEPH VANIER
(a.k.a. CARL JOSEPH GAGNON)

TORONTO – The Office of the Secretary issued a Notice of Hearing for a hearing to consider whether it is in the public interest to approve a settlement agreement entered into by Staff of the Commission and Robert Joseph Vanier and to consider a motion for an order that the proceeding be held *in camera*.

The hearing will be held on Monday, August 9, 2010 in Hearing Room B on the 17th floor of the Commission's offices located at 20 Queen Street West, Toronto.

A copy of the Notice of Hearing dated August 6, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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Senior Communications Specialist
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Robert Merrick
Senior Communications Specialist
416-593-2315

For investor inquiries:

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1-877-785-1555 (Toll Free)

1.4.2 Norshield Asset Management (Canada) Ltd. et al.

FOR IMMEDIATE RELEASE
August 9, 2010

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

AND

IN THE MATTER OF
NORSHIELD ASSET MANAGEMENT
(CANADA) LTD., OLYMPUS UNITED GROUP INC.,
JOHN XANTHOUDAKIS, DALE SMITH AND
PETER KEFALAS

TORONTO – The Commission issued its Reasons and Decision on Sanctions and Costs and an Order in the above named matter.

A copy of the Reasons and Decision on Sanctions and Costs and the Order dated August 6, 2010 are available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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1.4.3 Robert Joseph Vanier (a.k.a. Carl Joseph Gagnon)

FOR IMMEDIATE RELEASE
August 9, 2010

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

AND

IN THE MATTER OF
ROBERT JOSEPH VANIER
(a.k.a. CARL JOSEPH GAGNON)

TORONTO – Following a hearing held today, the Commission issued an Order which provides that the Hearing Dates are vacated.

A copy of the Order dated August 9, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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1.4.4 Robert Joseph Vanier (a.k.a. Carl Joseph Gagnon)

FOR IMMEDIATE RELEASE
August 9, 2010

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

AND

IN THE MATTER OF
ROBERT JOSEPH VANIER
(a.k.a. CARL JOSEPH GAGNON)

TORONTO – Following a hearing held today, the Commission issued an Order approving the Settlement Agreement reached between Staff of the Commission and Robert Joseph Vanier.

A copy of the Order dated August 9, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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1.4.5 Robert Joseph Vanier (a.k.a. Carl Joseph Gagnon)

FOR IMMEDIATE RELEASE
August 9, 2010

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

AND

IN THE MATTER OF
ROBERT JOSEPH VANIER
(a.k.a. CARL JOSEPH GAGNON)

TORONTO – Following a hearing held today, the Commission issued an Order in the above named matter which provides that (a) the time for service and filing of the Notice of Motion dated August 5, 2010, the Settlement Agreement and all materials filed for the purposes of the Settlement Hearing is abridged; (b) the Settlement Hearing will be heard *in camera*; (c) the Settlement Agreement, all materials filed for the Settlement Hearing, and all transcripts arising from the Settlement Hearing are sealed for a period of four (4) months from the date of this Order; (d) the requirement to post the Settlement Agreement and any materials filed for the Settlement Hearing is delayed for a period of four (4) months from the date of this Order; and (e) any reprimand of the Respondent may be issued *in absentia*.

A copy of the Order dated August 9, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Strongco Income Fund – s. 1(10)

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Issuer deemed to no longer be a reporting issuer under securities legislation.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10).

August 5, 2010

Fraser Milner Casgrain LLP
1 First Canadian Place
Suite 3900, 100 King Street West
Toronto, Ontario M5X 1B2

Attention: Karen Slater

Re: Strongco Income Fund (the Applicant) – application for a decision under the securities legislation of Ontario, Alberta, Saskatchewan, Manitoba, Quebec, Nova Scotia, Prince Edward Island and Newfoundland and Labrador (the Jurisdictions) that the Applicant is not a reporting issuer.

The Applicant has applied to the local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions for a decision under the securities legislation (the Legislation) of the Jurisdictions that the Applicant is not a reporting issuer.

As the Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in each of the jurisdictions in Canada and fewer than 51 security holders in total in Canada;

(b) no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;

(c) the Applicant is applying for a decision that it is not a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

(d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is not a reporting issuer.

"Jo-Anne Matear"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.1.2 Underworld Resources Inc. – s. 1(10)

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Issuer deemed to no longer be a reporting issuer under securities legislation.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10).

August 5, 2010

Underworld Resources Inc.
c/o 25 York Street
17th Floor
Toronto, ON M5J 2V5

Dear Sirs /Mesdames:

Re: Underworld Resources Inc. (the Applicant) – application for a decision under the securities legislation of Ontario, Alberta and the North-west Territories (the Jurisdictions) that the Applicant is not a reporting issuer.

The Applicant has applied to the local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions for a decision under the securities legislation (the Legislation) of the Jurisdictions that the Applicant is not a reporting issuer.

As the Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in each of the jurisdictions in Canada and fewer than 51 security holders in total in Canada;

(b) no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;

(c) the Applicant is applying for a decision that it is not a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

(d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is not a reporting issuer.

"Jo-Anne Matear"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.1.3 Paramount RXP Acquisition Corp. (formerly Redcliffe Exploration Inc.) – s. 1(10)

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Issuer deemed to no longer be a reporting issuer under securities legislation.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10).

Citation: Paramount RXP Acquisition Corp., Re, 2010 ABASC 356

August 5. 2010

Heenan Blaikie
12th Floor, Fifth Avenue Place
425 1st Street SW
Calgary, AB T2P 3L8

Attention: Lesley Kim

Dear Madam:

Re: Paramount RXP Acquisition Corp. (formerly Redcliffe Exploration Inc.) (the Applicant) – Application for a decision under the securities legislation of Alberta, Saskatchewan, Manitoba, Ontario and Québec (the Jurisdictions) that the Applicant is not a reporting issuer

The Applicant has applied to the local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions for a decision under the securities legislation (the **Legislation**) of the Jurisdictions to be deemed to have ceased to be a reporting issuer in the Jurisdictions.

As the Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in each of the jurisdictions in Canada and fewer than 51 security holders in total in Canada;

(b) no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;

(c) the Applicant is applying for a decision that it is not a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

(d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is deemed to have ceased to be a reporting issuer and that the Applicant's status as a reporting issuer is revoked.

"Cheryl McGillivray"
Manager, Corporate Finance

2.1.4 Meliadine Holdings Inc. – s. 1(10)

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Issuer deemed to no longer be a reporting issuer under securities legislation.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10).

Citation: Meliadine Holdings Inc., Re, 2010 ABASC 350

August 3, 2010

Davies Ward Phillips & Vineberg LLP
44th Floor, 1 First Canadian Place
Toronto, ON M5X 1B1

Attention: Jonathan Ip

Dear Sir:

Re: Meliadine Holdings Inc. (the Applicant) – Application for a decision under the securities legislation of Alberta, Saskatchewan and Ontario (the Jurisdictions) that the Applicant is not a reporting issuer

The Applicant has applied to the local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions for a decision under the securities legislation (the **Legislation**) of the Jurisdictions to be deemed to have ceased to be a reporting issuer in the Jurisdictions.

As the Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in each of the jurisdictions in Canada and fewer than 51 security holders in total in Canada;

(b) no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;

(c) the Applicant is applying for a decision that it is not a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

(d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is deemed to have ceased to be a reporting issuer.

"Cheryl McGillivray"
Manager, Corporate Finance

2.1.5 World Color Press Inc. – s. 1(10)

Headnote

National Policy 11-203 Process For Exemptive Relief Applications in Multiple Jurisdictions – application for an order that the issuer is not a reporting issuer.

Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10).

August 5, 2010

World Color Press Inc.
999 Boulevard de Maisonneuve West, Suite 1100
Montréal (Québec)
H3A 3L4

Attention: Andrew Schiesl

Dear Sir:

Re: World Color Press Inc. (the Applicant) – application for a decision under the securities legislation of Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador (the Jurisdictions) that the Applicant is not a reporting issuer

The Applicant has applied to the local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions for a decision under the securities legislation (the Legislation) of the Jurisdictions that the Applicant is not a reporting issuer.

As the Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in each of the jurisdictions in Canada and fewer than 51 security holders in total in Canada;

(b) no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;

(c) the Applicant is applying for a decision that it is not a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

(d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant's status as a reporting issuer is revoked.

"Alida Gualtieri"
Manager, Continuous Disclosure
Autorité des marchés financiers

2.1.6 Jones Financial Companies, L.L.L.P.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Application for relief from the prospectus requirement for certain trades made in connection with an employee limited partnership interest purchase plan – the issuer cannot rely on the employee exemption in section 2.24 of National Instrument 45-106 – Prospectus and Registration Exemptions as the securities are not being offered to employees but to former employees – Canadian participants will receive disclosure documents – the issuer is subject to the supervision of the local securities regulator – Canadian participants will not be induced to participate in the offering by expectation of employment – no market for the securities of the issuer in Canada – number of Canadian participants is *de minimis* – relief granted.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 74(1).
National Instrument 45-106 Prospectus and Registration Exemptions, s. 2.24.

August 6, 2010

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
THE JONES FINANCIAL COMPANIES, L.L.L.P.
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) for an exemption from the prospectus requirements contained in the Legislation so that such requirements do not apply to the issuance of limited partnership interests of the Filer to two former employees of Edward Jones (**Edward Jones Canada**), a limited partnership organized under the laws of the Province of Ontario that is directly or indirectly wholly-owned by the Filer, pursuant to the Filer's 2010 Employee Limited Partnership Interest Purchase Plan (the **Exemption Sought**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

(a) the Ontario Securities Commission is the principal regulator (the P**rincipal Regulator**) for this application; and

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-10**2) is intended to be relied upon in the Province of British Columbia (the **Non-Principal Jurisdiction**).

Interpretation

Terms defined in MI 11-102 and National Instrument 14-101 *Definitions* have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is a registered limited liability limited partnership organized under the laws of the State of Missouri.

2. The Filer is a holding company with no direct operations. Its principal operating subsidiaries are Edward D. Jones & Co., L.P. (**Edward Jones**), a Missouri limited partnership, and Edward Jones Canada.

3. Edward Jones is a registered broker-dealer in the United States (**U.S.**) that engages in the retail brokerage business. Edward Jones Canada carries on a securities business in Canada and is registered as an investment dealer under the Legislation and the securities legislation of the Province of British Columbia.

4. Neither the Filer nor Edward Jones Canada is, or has any current intention of becoming, a reporting issuer in any jurisdiction of Canada. Neither the Filer nor Edward Jones Canada is in default under the Legislation or under the securities legislation of the Province of British Columbia.

5. The Filer proposes to offer an aggregate of up to 275,000 units of limited partnership interests in its partnership (the **Interests**) pursuant to a registration statement of the Filer on Form S-1 (the **Registration Statement**) under the U.S. Securities Act of 1933 filed with the U.S. Securities and Exchange Commission on July 2, 2010. The Interests will be issued pursuant to the Filer's 2010 Employee Limited Partnership Interest Purchase Plan (the **Plan**). The Plan is intended to provide an investment opportunity to certain current and former employees of the Filer's subsidiaries and certain general partners of the Filer (the **Participants**) and, also, to increase the

Filer's capital through Participants' contributions. Pursuant to the Plan, Participants are granted awards that represent an opportunity to acquire Interests.

6. The purchase price of each full Interest will be US$1,000 payable by the Participant at the time the Interests are purchased, with a minimum purchase of five Interests, or US$5,000.

7. The Plan will become effective January 1, 2011, or, if later, the date that the Registration Statement is declared effective by the U.S. Securities and Exchange Commission. The offer will continue in effect until December 31, 2010, unless extended by the managing partner of the Filer. The Filer may amend the Plan at any time either retroactively or prospectively and may terminate or suspend the Plan or any performance award granted under the Plan at any time for any reason.

8. There is no market for the Interests and none of the limited partners of the Filer (**Limited Partners**) may sell, pledge, exchange, transfer or assign any Interest without the consent of the managing partner of the Filer, which is not expected to be given. Because the Interests are non-transferable, no public market in the Interests will develop.

9. The rights and obligations of the Limited Partners are governed by the Filer's partnership agreement, as amended from time to time, a copy of which will be attached to the Registration Statement. None of the Limited Partners may vote or otherwise participate in the management of the business of the Filer.

10. The price at which the Interests will be offered (US$1,000 per Interest) represents the book value of each Interest and has been arbitrarily determined. Each Limited Partner will be entitled to a 7½% guaranteed annual payment on such book value (US$1,000 per Interest). Each Limited Partner must accept redemption of his or her Interest(s) at such book value and accept the return of his or her capital contribution(s) plus any accrued and unpaid 7½% guaranteed annual payments and relinquish all rights as one of the Limited Partners (a) upon his or her death, (b) immediately upon notice of his or her voluntary withdrawal, or (c) within 30 days of receipt of a notice to withdraw from the Filer's managing partner or the holders of 50% or more of the Filer's general partners' capital (a **Mandatory Withdrawal Notice**). The decision to issue a Mandatory Withdrawal Notice is within the absolute discretion of the Filer's managing partner. No Limited Partner has any rights to retain his or her Interest.

11. Interests will be offered to employees and former employees of subsidiaries of the Filer resident in the U.S. under the Registration Statement. Interests will also be offered to certain employees of Edward Jones Canada resident in Canada (the **Canadian Employees**) pursuant to the exemption from the prospectus requirement of the Legislation provided by Section 2.24 of National Instrument 45-106 – *Prospectus and Registration Exemptions* (the **45-106 Exemption**).

12. The offering of Interests in Canada will be made solely by the Filer, without the participation of any dealer, underwriter or selling agent.

13. The Filer also wishes to offer Interests to one former employee of Edward Jones Canada resident in the Jurisdiction and one former employee of Edward Jones Canada resident in the Province of British Columbia (together, the **Canadian Former Employees**). Because each of these individuals is no longer an employee of Edward Jones Canada, the 45-106 Exemption is not available in respect of distributions of Interests to such individuals. As such, the granting of the Exemption Sought is necessary in order to allow the two Canadian Former Employees to participate in the Plan.

14. Participation in the offering by the Canadian Former Employees will be on a voluntary basis and such persons will not be induced to purchase Interests by expectation of employment.

15. None of the Filer, Edward Jones Canada or any of their employees, agents or representatives will provide investment advice to the Canadian Former Employees with respect to an investment in the Interests.

16. Each of the Canadian Former Employees will receive a copy of the Registration Statement together with a supplement that describes the relevant Canadian income tax consequences. In addition, upon request each Canadian Former Employee may receive copies of all documents incorporated by reference into the Registration Statement, including the Filer's Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

17. The distributions of Interests to the two Canadian Former Employees are isolated transactions.

Decision

The Principal Regulator is satisfied that the decision meets the test set out in the Legislation for the relevant regulator or securities regulatory authority to make the decision.

The decision of the Principal Regulator is that the Exemption Sought is granted.

"James Carnwath"
Commissioner
Ontario Securities Commission

"Carol Perry"
Commissioner
Ontario Securities Commission

2.1.7 AlphaPro Management Inc. and Horizons AlphaPro Fiera Tactical Bond ETF

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from subsection 2.1(1) and paragraphs 2.5(2)(a), (b) and (c) of NI 81-102 to permit an exchange traded commodity pool to enter into a forward agreement providing exposure to the portfolio of a reference fund comprised of underlying exchange traded mutual funds established in Canada or the U.S. and trading on Canadian or U.S. stock exchanges – Exchange traded commodity pool employing three-tier structure contrary to multi-layering restriction in paragraph 2.5(2)(b) – Reference fund and underlying exchange traded mutual funds may not be subject to NI 81-101 and NI 81-102, nor qualified for distribution in the same jurisdictions as the exchange traded commodity pool, contrary to paragraphs 2.5(2)(a) and (c) of NI 81-102 – Exchange traded commodity pool prohibited by subsection 2.1(1) from being 100% exposed to the portfolio of the reference fund through the forward agreement – Units of the reference fund sold only to the counterparty under the forward agreement on an exempt basis – Majority of underlying exchange traded mutual funds consisting of exchange traded mutual funds established in Canada or the U.S. that issue IPUs traded on a Canadian or U.S. stock exchange – No more than 10% of the exchange traded commodity pool's net asset value, in aggregate, will be exposed to underlying exchange traded mutual funds, other than those that issue IPUs, whose securities are not qualified for distribution in the same jurisdictions as the exchange traded commodity pool – National Instrument 81-102 Mutual Funds.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 2.1(1), 2.5(2)(a), (b) and (c), 19.1.

August 5, 2010

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
ALPHAPRO MANAGEMENT INC.
(the Filer)

AND

IN THE MATTER OF
THE HORIZONS ALPHAPRO FIERA TACTICAL BOND ETF (the Fund ETF)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the Horizons AlphaPro Fiera Tactical Bond Fund (the **Fund**), which is expected to convert into the Fund ETF, for a decision under the securities legislation of the Jurisdiction (the **Legislation**) granting exemptive relief, pursuant to section 19.1 of National Instrument 81-102 *Mutual Funds* (**NI 81-102**), from the requirements of subsection 2.1(1) and paragraphs 2.5(2)(a), (b) and (c) of NI 81-102 in order to permit the Fund ETF to enter into one or more forward purchase and sale agreements (the **Forward Agreement**) which provides exposure to the portfolio of the Tactical Global Bond ETF Fund (the **Reference Fund**) which is comprised of exchange traded mutual funds that have been established in North America and trade on North American stock exchanges (each an **Underlying ETF**) (the **Exemption Sought**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

1. the Ontario Securities Commission is the principal regulator for this application; and;

2. the Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each of the other provinces and territories of Canada (collectively, with Ontario, the **Jurisdictions**).

Interpretation

Terms defined in NI 81-102, National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

The Filer

1. The Filer is a corporation incorporated under the laws of Canada and acts as the trustee and manager of the Fund.

2. The Filer will also act as the trustee and manager of the Fund ETF.

The Fund

3. The Fund is a closed-end fund that is a mutual fund trust organized under the laws of Ontario, and is a reporting issuer under the laws of all of the Jurisdictions.

4. The Fund is currently not subject to NI 81-102 or National Instrument 81-104 *Commodity Pools* (NI 81-104).

5. Class A units and Class F units of the Fund are qualified for distribution in each of the Jurisdictions pursuant to an amended and restated long form prospectus dated July 2, 2009.

6. Class A units of the Fund are listed on the Toronto Stock Exchange (the **TSX**).

7. The investment objectives of the Fund are to provide its unitholders with: (i) a stable stream of tax-efficient monthly distributions; and (ii) the opportunity for capital appreciation through exposure to a tactical asset allocation strategy.

8. JovInvestment Management Inc. (**JovInvestment**), an affiliate of the Filer, is the portfolio manager of the Fund. JovInvestment is registered as a portfolio manager, commodity trading manager and commodity trading counsel in Ontario.

9. The Fund seeks to achieve its investment objectives through exposure to an actively managed portfolio consisting primarily of the Underlying ETFs, providing exposure to global fixed income markets, including government treasury securities, corporate bonds and high yield debt securities. This exposure is achieved through the Forward Agreement which provides 100% exposure to the portfolio of the Reference Fund, which holds the securities of the Underlying ETFs. Consequently, the returns to the Fund and its unitholders are based upon the return of the portfolio of the Reference Fund by virtue of the Forward Agreement with one or more counterparties (collectively, the **Counterparty**).

10. The Fund's exposure to the portfolio of the Reference Fund through the Forward Agreement may be increased to a maximum of 133% of the unleveraged assets of the Reference Fund (tested daily) by adding leveraged exposure to the Forward Agreement as may be determined by JovInvestment from time to time, and in accordance with the Fund's investment strategy (i.e., equivalent to leverage of approximately 1.33:1).

11. Pursuant to the Forward Agreement, the Fund has invested its net proceeds in a basket of common shares of Canadian public companies (the **Common Share Basket**).

12. The Counterparty has agreed to purchase the Common Share Basket from the Fund for an amount based on the redemption proceeds that

will be paid by the Reference Fund, which holds the securities of the Underlying ETFs, to holders of an applicable number of units of the Reference Fund less amounts related to any leverage used under the Forward Agreement.

13. The Fund is expected to convert into the Fund ETF after June 30, 2010, upon meeting the conversion test specified in its prospectus.

The Reference Fund and the Underlying ETFs

14. The Reference Fund is an open-end mutual fund that is a mutual fund trust organized under the laws of Ontario. It is a non-offering reporting issuer in Ontario and Québec by virtue of a non-offering long form prospectus dated June 29, 2009.

15. The Filer is the trustee and manager of the Reference Fund, and JovInvestment is the portfolio manager of the Reference Fund.

16. Fiera Capital Inc. (**Fiera**), has been retained by JovInvestment, as the sub-advisor of the Reference Fund. Fiera is registered as a portfolio manager, commodity trading manager and as an exempt market dealer in Ontario.

17. Fiera, as sub-advisor, analyzes and selects from a universe of more than 80 Underlying ETFs in order to assemble and manage the Reference Fund's portfolio. By investing primarily in the Underlying ETFs, Fiera seeks to provide investment diversification which reduces the single issuer risk typically associated with a traditional fixed income portfolio on a cost-effective basis

18. The Reference Fund was created for the purpose of carrying out the common investment objectives and strategy of the Fund and Fund ETF. It is intended as a mechanism whereby the Fund and Fund ETF can through the Forward Agreement gain exposure to the value of the securities of the Underlying ETFs held in the Reference Fund's portfolio.

19. Units of the Reference Fund have only been, and will only be, offered to the Counterparty on an exempt basis.

20. The Reference Fund is not subject to NI 81-102 as it has not, and will not, offer its units to the public in any of the Jurisdictions.

21. After the Fund converts to the Fund ETF, the Reference Fund will continue to be a reporting issuer in Ontario and Québec subject to the continuous disclosure requirements of National Instrument 81-106 *Investment Fund Continuous Disclosure* (**NI 81-106**).

22. The Reference Fund's investment objectives are to maximize total returns for holders of its units. It achieves its investment objectives by acquiring and holding an actively managed portfolio consisting primarily of the Underlying ETFs, providing exposure to global fixed income markets, including government treasury securities, corporate bonds and high yield debt securities. The Underlying ETFs consist largely of exchange-traded mutual funds that issue index participation units (**IPUs**), but may also include inverse exchange traded funds, as well as other types of exchange traded funds that are established, and trade on a stock exchange, in North America.

23. Each Underlying ETF will have filed either a prospectus or a registration statement with the applicable securities regulatory authority governing its operation in Canada or the United States, as applicable, and will comply with the laws of that jurisdiction.

24. Each Underlying ETF will generally have a market capitalization of not less than $100 million or a 30-day average trading volume of not less than $5 million per day at the time the Reference Fund purchases its securities.

25. None of the Underlying ETFs in the Reference Fund's portfolio that issue units that are not IPUs will invest more than 10% of its net assets in other mutual funds.

26. The Underlying ETFs in the Reference Fund's portfolio are not subject to National Instrument 81-101 Mutual Fund Prospectus Disclosure (NI 81-101). Those Underlying ETFs that have qualified their securities for distribution in the Jurisdictions are subject to NI 81-102. All other Underlying ETFs are not subject to NI 81-102.

The Fund ETF

27. Following conversion, the Class A units and Class F units of the Fund will be converted into Class E units of the Fund ETF. As at the date of this decision, the Filer has filed a preliminary long form prospectus dated June 22, 2010 with each of the Jurisdictions to qualify the continuous offering of Class E units of the Fund ETF.

28. The Fund ETF will be a commodity pool, as such term is defined in Section 1.1(1) of NI 81-104, in that the Fund ETF will adopt fundamental investment objectives that permit the Fund ETF to use or invest in financial instruments in a manner that is not permitted under NI 81-102. The Fund ETF will otherwise be required to comply with applicable requirements of NI 81-102, including the fund-on-fund requirements of section 2.5 of NI 81-102.

29. The Filer will be the trustee and manager of the Fund ETF, and JovInvestment will be the portfolio manager of the Fund ETF.

30. Class E units of the Fund ETF will be issued and sold on a continuous basis and will be listed on the TSX.

31. The investment objectives, investment strategy and investment restrictions of the Fund ETF will be the same as the Fund, except as may be necessary to comply with applicable law, including NI 81-102.

32. In the absence of the Exemption Sought, the Fund ETF would not be permitted to invest through the Forward Agreement in the Reference Fund because:

    (a) as the Reference Fund holds more than 10% of the market value of its net assets in securities of the Underlying ETFs, the Fund ETF's indirect investment in the Reference Fund would be contrary to the multi-layering restriction in paragraph 2.5(2)(b) of NI 81-102; and

    (b) the Reference Fund is not subject to NI 81-102 and its securities are not qualified for distribution in the Jurisdictions, and similarly, the Underlying ETFs in the Reference Fund's portfolio are not subject to NI 81-101, may not in all cases be subject to NI 81-102, and their securities may not be qualified for sale in one or more of the Jurisdictions, contrary to the requirements of paragraphs 2.5(2)(a) and (c) and subsection 2.1(1) of NI 81-102.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted provided that:

    (a) The exposure of the Fund ETF to the portfolio of the Reference Fund, which is generally comprised of the securities of the Underlying ETFs, is in accordance with the fundamental investment objectives of the Fund ETF;

    (b) The Reference Fund operates in accordance with the requirements of NI 81-102 other than the requirements of paragraphs 2.5(2)(a) and (c) of NI 81-102 as necessary to enable its investments in securities of the Underlying ETFs;

    (c) The Reference Fund remains a reporting issuer in Ontario and Québec subject to the requirements of NI 81-106;

    (d) No securities of the Reference Fund are distributed in Canada other than to the Counterparty under the Forward Agreement;

    (e) The Underlying ETFs are established, and trade on a stock exchange, in Canada or the United States; and

    (f) The Underlying ETFs in the Reference Fund's portfolio whose securities are not qualified for distribution in the Jurisdictions, excluding those Underlying ETFs that issue IPUs, do not in the aggregate represent more than 10% of the Fund ETF's net asset value.

"Darren McKall"
Assistant Manager, Investment Funds Branch
Ontario Securities Commission

2.1.8 NexGen Financial Limited Partnership

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from sections 2.5(2)(a) and (c) of National Instrument 81-102 Mutual Funds to permit mutual funds to invest up to 10% of net assets in leveraged ETFs, inverse ETFs, gold ETFs and leveraged gold ETFs traded on Canadian or US stock exchanges, subject to certain conditions.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 2.5(2)(a), 2.5(2)(c), 19.1.

August 5, 2010

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(THE JURISDICTION)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
NEXGEN FINANCIAL LIMITED PARTNERSHIP
(THE FILER)

DECISION

BACKGROUND

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) for an exemption (the **ETF Exemption**) relieving the existing and future mutual funds managed by the Filer or an affiliate of the Filer that are subject to National Instrument 81-102 *Mutual Funds* (**NI 81-102**), other than money market funds as defined in NI 81-102 (the **Existing Funds** and the **Future Funds**, respectively, together, the **Funds** and individually, a **Fund**), from the prohibitions contained in paragraphs 2.5(2)(a) and (c) of NI 81-102, to permit each Fund to purchase and hold securities of

(i) exchange-traded funds (**ETFs**) that seek to provide daily results that replicate the daily performance of a specified widely-quoted market index (the ETF's **Underlying Index**) by a multiple of 200% (**Leveraged Bull ETFs**) or an inverse multiple of 200% (**Leveraged Bear ETFs**, which together with Leveraged Bull ETFs are referred to collectively in this decision as **Leveraged ETFs**);

(ii) ETFs that seek to provide daily results that replicate the daily performance of their Underlying Index by an inverse multiple of 100% (**Inverse ETFs**);

(iii) ETFs that seek to replicate the performance of gold or the value of a specified derivative the underlying interest of which is gold on an unlevered basis (**Gold ETFs**); and

(iv) ETFs that seek to provide daily results that replicate the daily performance of gold or the value of a specified derivative the underlying interest of which is gold on an unlevered basis (the **ETF's Underlying Gold Interest**), by a multiple of 200% (**Leveraged Gold ETFs**)

(Leveraged ETFs, Inverse ETFs, Gold ETFs, and Leveraged Gold ETFs are referred to collectively in this decision as the **Underlying ETFs**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

1. the Ontario Securities Commission is the Principal Regulator for this application; and

2. the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia, Alberta, Quebec, Newfoundland and Labrador and Northwest Territories (collectively with the Jurisdiction, the **Jurisdictions**).

INTERPRETATION

Defined terms contained in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning in this decision unless otherwise defined.

REPRESENTATIONS

This decision is based on the following facts represented by the Filer:

The Filer and the Funds

1. The Filer is a limited partnership formed under the laws of the Province of Ontario having its head office in Toronto, Ontario.

2. The Filer or an affiliate of the Filer is the manager of each of the Existing Funds, and will be the manager of each of the Future Funds. The Filer or an affiliate of the Filer is the portfolio manager of, or has appointed a portfolio manager for, each of the Existing Funds, and will be the portfolio manager of, or will appoint a portfolio manager for, each of the Future Funds.

3. Each Existing Fund is, and each Future Fund will be: (a) an open-ended mutual fund established under the laws of Canada or a province or territory

of Canada, (b) a reporting issuer under the laws of some or all of the provinces and territories of Canada, and (c) governed by the provisions of NI 81-102.

4. Securities of each Existing Fund are, and securities of each Future Fund will be, qualified for distribution in some or all of the provinces and territories of Canada under a simplified prospectus and annual information form prepared in accordance with National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**) and filed with and receipted by the securities regulators in the applicable jurisdiction(s).

5. Neither the Filer nor any of the Existing Funds is in default of securities legislation in the Jurisdictions.

The Underlying ETFs

6. Each Leveraged ETF will be rebalanced daily to ensure that its performance and exposure to its Underlying Index will not exceed +/-200% of the corresponding daily performance of its Underlying Index.

7. Each Inverse ETF will be rebalanced daily to ensure that its performance and exposure to its Underlying Index will not exceed -100% of the corresponding daily performance of its Underlying Index.

8. Each Leveraged Gold ETF will be rebalanced daily to ensure that its performance and exposure to its Underlying Gold Interest will not exceed +200% of the corresponding daily performance of its Underlying Gold Interest.

Investment in IPUs and the Underlying ETFs

9. Each Existing Fund is, and each Future Fund will be, permitted, in accordance with its investment objectives and investment strategies, to invest in ETFs.

10. In addition to investing in securities of ETFs that are "index participation units" as defined in NI 81-102 (**IPUs**), the Funds propose to invest in the Underlying ETFs, whose securities are not IPUs.

11. The amount of the loss that can result from an investment by a Fund in an Underlying ETF will be limited to the amount invested by the Fund in securities of the Underlying ETF.

12. Each Fund will only purchase gold, permitted gold certificates and specified derivatives with such underlying interests (including Gold ETFs and Leveraged Gold ETFs), if immediately after the purchase, no more than 10% of the net assets of the Fund, taken at market value at the time of the purchase, would consist of such assets in aggregate.

13. The Underlying ETFs are attractive investments for the Funds, as they provide an efficient and cost-effective means of achieving diversification and exposure.

14. An investment by a Fund in securities of an Underlying ETF will represent the business judgment of responsible persons uninfluenced by considerations other than the best interests of the Fund.

15. Absent the ETF Exemption, an investment by a Fund in an Underlying ETF that is a mutual fund would be prohibited by paragraphs 2.5(2)(a) and (c) of NI 81-102 because:

    (a) none of the Underlying ETFs are or will be subject to NI 81-101;

    (b) some of the Underlying ETFs are not, or will not be, subject to NI 81-102; and

    (c) some of the Underlying ETFs may not be qualified for distribution in each jurisdiction in which the Funds are or will be qualified for distribution.

DECISION

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the ETF Exemption is granted provided that:

(a) the investment by a Fund in securities of an Underlying ETF is in accordance with the fundamental investment objectives of the Fund;

(b) a Fund does not short sell securities of an Underlying ETF;

(c) the securities of the Underlying ETFs are traded on a stock exchange in Canada or the United States;

(d) the securities of the Underlying ETFs are treated as specified derivatives for the purposes of Part 2 of NI 81-102;

(e) a Fund does not purchase securities of an Underlying ETF if, immediately after the purchase, more than 10% of the net assets of the Fund in aggregate, taken at market value at the time of the purchase, would consist of securities of Underlying ETFs;

(f) a Fund does not enter into any transaction if, immediately after the transaction, more than 20% of the net assets

of the Fund, taken at market value at the time of the transaction, would consist of, in aggregate, securities of Underlying ETFs and all securities sold short by the Fund; and

(g) the prospectus of each Fund discloses, or will disclose the next time it is renewed after the date hereof, (i) in the Investment Strategy section of the prospectus, the fact that the Fund has obtained relief to invest in the Underlying ETFs together with an explanation of what each Underlying ETF is, and (ii) the risks associated with investments in the Underlying ETFs.

"Darren McKall"
Assistant Manager, Investment Funds
Ontario Securities Commission

2.1.9 Elliott & Page Limited

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from sections 2.5(2)(a) and (c) of National Instrument 81-102 Mutual Funds to permit mutual funds to invest up to 10% of net assets in leveraged ETFs, inverse ETFs, gold ETFs and leveraged gold ETFs traded on Canadian or US stock exchanges, subject to certain conditions.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 2.5(2)(a), 2.5(2)(c), 19.1.

August 6, 2010

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)**

AND

**IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS**

AND

**IN THE MATTER OF
ELLIOTT & PAGE LIMITED
(the Manager)**

AND

**IN THE MATTER OF
THE MUTUAL FUNDS NOW (the Existing Funds) OR IN THE FUTURE (the Future Funds, together with the Existing Funds, the Funds) MANAGED BY THE MANAGER OR AN AFFILIATE OR A SUCCESSOR OF THE MANAGER THAT ARE SUBJECT TO NATIONAL INSTRUMENT 81-102 MUTUAL FUNDS (NI 81-102), OTHER THAN "MONEY MARKET FUNDS" AS DEFINED IN NI 81-102**

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Manager for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) granting an exemption (the **ETF Exemption**) relieving the Funds from the prohibitions contained in paragraphs 2.5(2)(a) and (c) of NI 81-102 to permit each Fund to purchase and hold securities of:

(a) exchange-traded funds (**ETFs**) that seek to provide daily results that replicate the daily perfor-

mance of a specified widely-quoted market index (the ETF's **Underlying Index**) by a multiple of 200% (**Leveraged Bull ETFs**) or an inverse multiple of 200% (**Leveraged Bear ETFs**, which together with Leveraged Bull ETFs are referred to collectively in this decision as **Leveraged ETFs**);

(b) ETFs that seek to provide daily results that replicate the daily performance of their Underlying Index by an inverse multiple of 100% (**Inverse ETFs**);

(c) ETFs that seek to replicate the performance of gold or the value of a specified derivative the underlying interest of which is gold on an unlevered basis (**Gold ETFs**); and

(d) ETFs that seek to provide daily results that replicate the daily performance of gold or the value of a specified derivative the underlying interest of which is gold on an unlevered basis (the ETF's **Underlying Gold Interest**) by a multiple of 200% (**Leveraged Gold ETFs**).

Leveraged ETFs, Inverse ETFs, Gold ETFs, and Leveraged Gold ETFs are referred to collectively in this decision as the **Underlying ETFs**.

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

(a) the Ontario Securities Commission is the principal regulator for this application; and

(b) the Manager has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Yukon Territory and Nunavut.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning in this decision unless otherwise defined.

Representations

This decision is based on the following facts represented by the Manager on its own behalf and on behalf of the Funds:

The Manager and the Funds

1. The Manager is a corporation governed under the *Business Corporations Act* (Ontario) and has its head office located in Toronto, Ontario.

2. The Manager is registered in the categories of commodity trading manager, exempt market dealer, mutual fund dealer and portfolio manager.

3. The Manager or an affiliate or a successor of the Manager is or will be the manager of each of the Funds.

4. Each Fund is, or will be, a mutual fund organized and governed under the laws of a jurisdiction of Canada, is, or will be, a reporting issuer under the laws of some or all of the provinces and territories of Canada and is, or will be, governed by the provisions of NI 81-102.

5. Securities of each Fund are, or will be, qualified for distribution in some or all of the provinces and territories of Canada under a simplified prospectus and annual information form prepared in accordance with National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**) filed with and receipted by the securities regulators in the applicable jurisdiction(s).

6. Neither the Manager nor any of the Existing Funds is in default of securities legislation in any of the provinces and territories of Canada.

The Underlying ETFs

7. Each Leveraged ETF will be rebalanced daily to ensure that its performance and exposure to its Underlying Index will not exceed +/-200% of the corresponding daily performance of its Underlying Index.

8. Each Inverse ETF will be rebalanced daily to ensure that its performance and exposure to its Underlying Index will not exceed -100% of the corresponding daily performance of its Underlying Index.

9. Each Leveraged Gold ETF will be rebalanced daily to ensure that its performance and exposure to its Underlying Gold Interest will not exceed +200% of the corresponding daily performance of its Underlying Gold Interest.

10. The securities of the Underlying ETFs are traded on a stock exchange in Canada or the United States.

Investment in IPUs and the Underlying ETFs

11. Each Existing Fund is, and each Future Fund will be, permitted, in accordance with its investment objectives and investment strategies, to invest in ETFs.

12. In addition to investing in securities of ETFs that qualify as index participation units (**IPUs**), as defined in NI 81-102, the Funds propose to have

the ability to invest in the Underlying ETFs, whose securities are not IPUs.

13. The amount of the loss that can result from an investment by a Fund in an Underlying ETF will be limited to the amount invested by the Fund in securities of the Underlying ETF.

14. Each Fund will only purchase gold, permitted gold certificates and specified derivatives with such underlying interests (including Gold ETFs and Leveraged Gold ETFs), if immediately after the purchase, no more than 10% of the net assets of the Fund, taken at market value at the time of the purchase, would consist of such assets in aggregate.

15. The Underlying ETFs are attractive investments for the Funds, as they provide an efficient and cost-effective means of achieving diversification and exposure.

16. But for the ETF Exemption, paragraph 2.5(2)(a) would prohibit a Fund from purchasing or holding a security of an Underlying ETF, because the Underlying ETFs are not subject to both NI 81-102 and NI 81-101.

17. But for the ETF Exemption, paragraph 2.5(2)(c) would prohibit a Fund from purchasing or holding securities of some Underlying ETFs, because some Underlying ETFs will not be qualified for distribution in the local jurisdiction.

18. An investment by a Fund in securities of an Underlying ETF will represent the business judgement of responsible persons uninfluenced by considerations other than the best interests of the Fund.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the ETF Exemption is granted provided that:

(a) the investment by a Fund in securities of an Underlying ETF is in accordance with the fundamental investment objectives of the Fund;

(b) a Fund does not short sell securities of an Underlying ETF;

(c) the securities of the Underlying ETFs are traded on a stock exchange in Canada or the United States;

(d) the securities of the Underlying ETFs are treated as specified derivatives for the purposes of Part 2 of NI 81-102;

(e) a Fund does not purchase securities of an Underlying ETF if, immediately after the purchase, more than 10% of the net assets of the Fund in aggregate, taken at market value at the time of the purchase, would consist of securities of the Underlying ETFs;

(f) a Fund does not enter into any transaction if, immediately after the transaction, more than 20% of the net assets of the Fund, taken at market value at the time of the transaction, would consist of, in aggregate, securities of Underlying ETFs and all securities sold short by the Fund; and

(g) the prospectus of each Fund discloses, or will disclose the next time it is renewed after the date of this decision, (i) in the Investment Strategy section of the prospectus, the fact that the Fund has obtained relief to invest in the Underlying ETFs together with an explanation of what each Underlying ETF is, and (ii) the risks associated with investments in the Underlying ETFs.

"Darren McKall"
Assistant Manager, Investment Funds
Ontario Securities Commission

2.1.10 CIBC Asset Management Inc. et al.

Headnote

National Policy 11-203 Process for Exemption Relief Applications in Multiple Jurisdictions – relief from section 4.1 of NI 81-102 for dealer-managed mutual funds to invest in distributions of debt securities for which dealer-manager acts as underwriter during distribution period or 60 day period following distribution – debt securities will not have "approved rating" by "credit rating organization" as required by subsection 4.1(4) – limited supply of new debt offerings have approved ratings, and trend is expected to continue – dominant position of related dealers in debt underwriting limits funds' ability to acquire debt securities for the funds – all purchases must be consistent with fund investment objectives and subject to approval of independent review committee – debt offerings must have at least one underwriter in addition to related dealer, at least one arm's length purchaser purchasing at least 5% of the offerings – related funds can collectively purchase no more than 20% of offering and must pay no more than lowest price paid by arm's length purchaser(s) – funds must not be money market fund funds and cannot purchase asset backed commercial paper pursuant to relief.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 4.1, 19.1.

July 30, 2010

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
CIBC ASSET MANAGEMENT INC.,
CIBC GLOBAL ASSET MANAGEMENT INC.,
NATIONAL BANK SECURITIES INC.,
PHILLIPS, HAGER & NORTH INVESTMENT MANAGEMENT LTD., RBC ASSET MANAGEMENT INC. AND TD ASSET MANAGEMENT INC.
(collectively, the Filers)

AND

IN THE MATTER OF
THE MUTUAL FUNDS TO WHICH NATIONAL INSTRUMENT 81-102 (NI 81-102) APPLIES AND OF WHICH ONE OF THE FILERS OR AN AFFILIATE OR ASSOCIATE OF ONE OF THE FILERS IS NOW OR IN THE FUTURE THE MANAGER AND/OR A PORTFOLIO ADVISER
(each, a Fund and, collectively, the Funds)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filers, in respect of the Filers, any associate or affiliate of the Filers, and each Fund for a decision under the securities legislation of the Jurisdiction (the **Legislation**) for relief (the **Requested Relief**) from the prohibition in section 4.1(1) of NI 81-102 (the **Investment Prohibition**) to permit the investment by the Funds in debt securities of an issuer during the period of the distribution (the **Distribution**) or during the period of 60 days after the Distribution (the **60-Day Period**), notwithstanding, in respect of each of the Filers, the involvement of the Filer or one of the Filer's associates or affiliates as an underwriter in the Distribution and notwithstanding that the debt securities do not have an approved rating by an approved credit rating organization as contemplated by section 4.1(4)(b) of NI 81-102.

Under the Process for Exemptive Relief Applications in Multiple Jurisdiction (for a passport application):

(a) the Ontario Securities Commission is the principal regulator for this application; and

(b) the Filers have provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied on in Alberta, British Columbia, Saskatchewan, Manitoba, Québec, Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Yukon Territory, Northwest Territories and Nunavut Territory (collectively, the **Non-Principal Jurisdictions**).

Interpretation

Terms defined in MI 11-102, National Instrument 14-101 *Definitions*, NI 81-102 and National Instrument 81-107 *Independent Review Committee for Investment Funds* (**NI 81-107**) have the same meaning if used in this decision, unless otherwise defined. For greater certainty, the term "approved rating", as used in section 4.1(4)(b) of NI 81-102, has the meaning given to such term in National Instrument 44-101 *Short Form Prospectus Distributions*. In addition, in this decision the following terms have the following meanings:

(a) **"Advised Funds"** means, collectively, the Funds which are advised but not managed by one of the Filers or any of their affiliates or associates, and to which NI 81-102 applies;

(b) **"Managed Funds"** means, collectively, the Funds which are managed, and may be advised, by one of the Filers or any of their affiliates or associates, and to which NI 81-102 applies.

Representations

This decision is based on the following facts represented by the Filers in respect of the Filers and the Funds:

1. Each of the Funds is or will be a mutual fund established under the laws of one of the Jurisdiction or one of the Non-Principal Jurisdictions.

2. None of the Funds are or will be a "money market fund" as defined in NI 81-102.

3. The securities of the Funds, other than National Bank Protected Canadian Bond Fund, National Bank Protected Retirement Balanced Fund, National Bank Protected Growth Balanced Fund, National Bank Protected Canadian Equity Fund and National Bank Protected Global Fund (collectively, the **Protected Funds**), are or will be offered for sale pursuant to a prospectus filed in one or more of the Jurisdiction and the Non-Principal Jurisdictions. The Protected Funds are required to file an annual information form pursuant to Section 9.2 of National Instrument 81-106 Investment Fund Continuous Disclosure but whose securities are not currently qualified for distribution. Each of the Funds is or will be a dealer managed mutual fund that is or will be a reporting issuer in one or more of the Jurisdiction and the Non-Principal Jurisdictions.

4. Each of the Funds has or will have an independent review committee (**IRC**) appointed under NI 81-107.

5. One of the Filers or an associate or affiliate of one of the Filers is or will be the manager of the Managed Funds. One of the Filers or an associate or affiliate of one of the Filers may be a portfolio adviser of the Managed Funds.

6. One of the Filers or an associate or affiliate of one of the Filers is or will be a portfolio adviser of the Advised Funds. None of the Filers or any associate or affiliate of the Filers is or will be the manager of an Advised Fund.

7. None of the Filers and the Managed Funds are in default of securities legislation in the Jurisdiction or any of the Non-Principal Jurisdictions. To the best of the knowledge of the Filers, the Advised Funds are not in default of securities legislation in the Jurisdiction or any of the Non-Principal Jurisdictions.

8. Each of the Filers is an affiliate of one or more dealers and each Filer may become an affiliate or associate of additional dealers in the future (each, a **Related Dealer** and, collectively, the **Related Dealers**), any of which may act as an underwriter in a Distribution.

9. The Funds need the Requested Relief from the Investment Prohibition because:

   (a) there is a limited supply of debt securities issued by an issuer other than the federal or a provincial government (**Non-Government Debt Securities**);

   (b) frequently, the only source of new issues of Non-Government Debt Securities will be offerings that are, in whole or in part, underwritten by a Related Dealer; and

   (c) frequently, Non-Government Debt Securities that the Filers wish to purchase for the Funds do not have an "approved rating" by an "approved credit rating organization".

10. The Filers consider that a Fund may be prejudiced if it cannot purchase during a Distribution, or in the 60-Day Period, debt securities that are consistent with its investment objective. Forgoing participation in these investment opportunities is a significant opportunity cost for the relevant Funds as they are being denied access to these securities purely as a result of the coincidental participation of a Related Dealer in the transaction and the credit rating of the security.

11. The Filers make investment decisions independently of their Related Dealers concerning Distributions in which Related Dealers act as underwriters, and this is reflected in policies and procedures approved by the IRCs of the Funds.

12. As a result, in almost all Distributions in respect of which the Requested Relief is required, the details of the Distribution and a Related Dealer's involvement as an underwriter in the particular Distribution will not be known by the Filers sufficiently long enough in advance to make an application for relief on a case-by-case basis.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Requested Relief from the Investment Prohibition is granted in respect of purchases of Non-Government Debt Securities by each Fund, provided that:

(a) at the time of each investment, the purchase is consistent with, or is necessary to meet, the investment objective of the Fund and represents the business judgment of the portfolio adviser of the Fund uninfluenced by considerations other than the best interests of the Fund or in fact is in the best interests of the Fund;

(b) the manager of the Fund complies with section 5.1 of NI 81-107 and the manager and IRC of the Fund comply with section 5.4 of NI 81-107 for any standing instructions the IRC provides in connection with the investment in the securities;

(c) at the time of the investment, the IRC of the Fund has approved the transaction in accordance with section 5.2(2) of NI 81-107;

(d) if the securities are acquired in the Distribution,

(i) at least one underwriter acting as underwriter in the Distribution is not a Related Dealer,

(ii) at least one purchaser who is independent and arm's length to the Fund(s) and the Related Dealers must purchase at least 5% of the securities distributed under the Distribution,

(iii) the price paid for the securities by a Fund in the Distribution shall be no higher than the lowest price paid by any of the arm's length purchasers who participate in the Distribution, and

(iv) a Fund and any related Funds for which a Filer or its affiliate or associate acts as manager and/or portfolio adviser can collectively acquire no more than 20% of the securities distributed under the Distribution in which a Related Dealer acts as underwriter;

(e) if the securities are acquired in the 60-Day Period,

(i) the ask price of the securities is readily available as provided in Commentary 7 to section 6.1 of NI 81-107,

(ii) the price paid for the securities by a Fund is not higher than the available ask price of the security, and

(iii) the purchase is subject to market integrity requirements as defined in NI 81-107;

(f) the securities acquired by the Funds pursuant to the Requested Relief cannot be asset backed commercial paper; and

(g) no later than the time a Fund files its annual financial statements, the manager of the Fund will file the particulars of each investment made by the Fund pursuant to the Requested Relief during its most recently completed financial year.

"Darren McKall"
Assistant Manager, Investment Funds Branch
Ontario Securities Commission

2.1.11 RBC Asset Management Inc. and Phillips, Hager & North Investment Management Ltd.

Headnote

National Policy 11-203, Process for Exemptive Relief Applications in Multiple Jurisdictions – relief granted from conflict of interest provisions to allow mutual funds to purchase equity securities pursuant to offerings made in the United States in which a related dealer acts as underwriter – relief required as growing status of filer's related dealers in equity underwriting activities in the United States was limiting ability of funds to acquire securities in the United States pursuant to a distribution – impact of this created a "market necessity" for relief – all purchases subject to independent review committee approval and securities must be distributed pursuant to prospectus qualified in the United States or by private placement of securities of a reporting issuer in the United States.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds , ss. 4.1, 19.1.

July 30, 2010

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
RBC ASSET MANAGEMENT INC. AND
PHILLIPS, HAGER & NORTH INVESTMENT
MANAGEMENT LTD.
(each, a Filer and, collectively, the Filers)

AND

IN THE MATTER OF
THE FUNDS
(as defined below)

DECISION

Background

The principal regulator in the Jurisdiction received an application (the **Application**) from the Filers on behalf of existing mutual funds and additional or future mutual funds to which National Instrument 81-102 – *Mutual Funds* (**NI 81-102**) applies (each, a **Fund** and, collectively, the **Funds**) for which a Filer, or an affiliate of a Filer, acts as the manager or portfolio adviser for a decision (the **Exemption Sought**) under the securities legislation of the Jurisdiction

of the principal regulator (the **Legislation**) exempting the Funds from the prohibition in Section 4.1(1) of NI 81-102 to permit the Funds to make an investment in a class of equity securities (**Securities**) of an issuer during the period of the distribution (the **Distribution**) or during the period of 60 days after the Distribution (the **60-Day Period**), notwithstanding that an associate or affiliate of a Filer acts as an underwriter in the Distribution.

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions:

(a) the Ontario Securities Commission is the principal regulator for the Application; and

(b) the Filers have provided notice that Section 4.7 of Multilateral Instrument 11-102 – *Passport System* is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Price Edward Island, Newfoundland & Labrador, Northwest Territories, Yukon and Nunavut (the Passport Jurisdictions).

Interpretation

Terms defined in the securities legislation of Ontario and the Passport Jurisdictions (the **Jurisdictions**), National Instrument 14-101 – *Definitions*, NI 81-102 or National Instrument 81-107 – *Independent Review Committee for Investment Funds* (**NI 81-107**) have the same meanings in this Decision. Certain other defined terms have the meanings given to them above or below under "Representations".

Representations

1. The Filers and the Funds are not in default of securities legislation in any of the Jurisdictions.

2. Each of the Funds is, or will be, an open-ended mutual fund trust or corporation established under the laws of the Province of Ontario or another Jurisdiction.

3. Each of the Funds is, or will be, a dealer managed mutual fund that is a reporting issuer in each of the Jurisdictions.

4. A Filer, or an affiliate of a Filer, is, or will be, the manager or portfolio adviser of each of the Funds.

5. An independent review committee (the **IRC**) has been, or will be, appointed for each of the Funds under NI 81-107.

6. Each Filer is currently an affiliate of RBC Dominion Securities Inc. and RBC Capital Markets Corporation (each, a **Related Dealer**), either of which may act as an underwriter in a Distribution.

7. Each Filer and each Related Dealer is an affiliate of the Royal Bank of Canada (**RBC**) which is a global financial institution. RBC may also act as an underwriter in a Distribution. (RBC and each Related Dealer are, collectively, the **Related Dealers**.)

8. The Related Dealers currently carry on their investment banking businesses in many countries outside of Canada, but primarily in the United States.

9. The Related Dealers may, from time to time, expand their investment banking businesses such that a Filer, or an affiliate of a Filer, may become an affiliate or associate of additional dealers (also, each, a Related Dealer and, collectively with RBC, the Related Dealers), any of which may act as an underwriter in a Distribution.

10. Each Fund relying on the Exemption Sought will have an investment objective that permits it to invest in Securities of issuers that are not reporting issuers in a Jurisdiction.

11. The Filers have implemented policies and procedures and obtained the approval and standing instructions from the IRC of the Funds in order to rely on Section 4.1(4)(c) of NI 81-102 where the issuer has filed a prospectus in Canada. RBC AM has also referred this matter to its IRC in anticipation of the RBC Funds receiving exemptive relief to participate in Distributions in the United States. The RBC AM IRC voted unanimously to give its approval (subject to complying with the terms and conditions of applicable exemptive relief) to permit the RBC Funds to act in accordance with the same policies and procedures applicable to situations where Related Dealers act as an underwriter in a Distribution of an issuer who has filed a prospectus in a jurisdiction in Canada. The PHN IRC provided a similar approval.

12. Since November 1, 2007 there have been several Distributions in the United States in which a Related Dealer acted as an underwriter and in which the Funds could not purchase Securities in the Distribution or during the 60-Day Period because the Distribution was not made by a prospectus filed with one or more securities regulatory authorities or the issuers were not reporting issuers in a Jurisdiction and, accordingly, neither Section 4.1(4) of NI 81-102 nor the Decision could be relied upon.

13. The issue for the Funds continues to be significant as the Related Dealers expand their activities. It is anticipated that the Related Dealers will become increasingly active in 2010 and beyond due to the growing presence of RBC in the global equity markets, and in the United States in particular. As a result, the Funds will be restricted from a significantly larger number of underwritings in the United States. With respect to the United States, the number of Distributions that Related Dealers

participated in during 2009 increased approximately 100% over the number in 2008. This increase had a direct impact on the Funds since they were restricted from investing in strategic U.S. equity issuers. In 2009, there were over 818 equity underwritings in the United States that were registered with the SEC and Related Dealers participated in 135. This represents an overall participation rate by value of 24%. However, on a monthly basis Related Dealers participated in as high as 49% of the United States equity underwritings based on value of transactions and as high as 47% of the United States equity underwritings based on number of transactions.

14. Each Filer considers that the Funds have been negatively impacted by not being able to purchase during a Distribution, or in the 60-Day Period, securities that are consistent with its investment objective. Forgoing participation in these investment opportunities represents a significant opportunity cost for the relevant Funds, as they are being denied access to investment opportunities as a result of the coincidental participation of a Related Dealer in the transaction, particularly when there is a regulatory and governance framework in place to oversee participation in similar transactions.

15. The Prohibition is detrimental for the Funds in so far as it also serves to prevent the Funds from supplementing existing positions, when issuers that the Funds may already hold securities in, are raising capital by distributing additional securities. This prevents the Funds from maintaining their strategic percentage holdings in a given issuer relevant to the overall portfolio holdings.

16. In almost all Distributions in respect of which the Exemption Sought is required, a Related Dealer's involvement as an underwriter in a particular Distribution will not be known by a Filer, or an affiliate of a Filer, sufficiently long enough in advance to make an application for relief on a case-by-case basis. In the case of the 2009 Distributions in the United States, a majority required a response within 12 hours. In the case of the remaining transactions the response time was often only one or two days, which did not permit an application either.

17. A Filer has generally, to date, been made aware of the Distribution and invited to participate on behalf of a Fund by an underwriter which is not a Related Dealer. For example, on May 8, 2009, RBC AM and the sub-advisers to the relevant Funds wished to participate in the Distribution of Wells Fargo common shares on behalf of certain Funds but, upon learning about the involvement of a Related Dealer in the underwriting, were unable to. This did not allow the Filer to add Wells Fargo to the existing positions of certain Funds in this security. As well, on May 12, 2009, RBC AM wished to participate in a Distribution of common shares of Ford Motor Company; however, RBC AM was unable to participate in the Distribution upon learning of the involvement of a Related Dealer in the underwriting even though RBC AM's intention was to supplement existing positions on behalf of certain Funds.

18. The prejudice that results for a Fund that is restricted from purchasing Securities is that the portfolio manager's discretion with respect to managing the portfolio is negatively impacted because if he/she can not make appropriate commitments or expressions of interest in respect of Securities, he/she can also not make appropriate decisions with respect to other securities of a Fund. The prejudice that results for a Fund also puts the Funds at a competitive disadvantage to almost all other Canadian funds since the Filers are among the few firms, if not the only firms, with a related party dealer that is involved on a frequent basis in these types of underwritings.

19. A Distribution in respect of which the Exemption Sought is requested will be made by means of a prospectus, or similar public offering document (a **Public Offering**), or by means of a private placement (a **Private Placement**) in the United States. The Securities issued in the Distribution will be listed on a stock exchange that is a "recognized stock exchange" within the meaning of section 248(1) of the *Income Tax Act* (Canada) (a **Recognized Exchange**).

20. A Distribution in respect of which the Exemption Sought is requested will be made by means of a Private Placement in the Jurisdictions in which the Distribution takes place.

21. Since the Funds are dealer-managed funds because of the relationship between a Filer and the Related Dealer, the Prohibition is applicable even in circumstances where a sub-advisor is exercising discretion with respect to a purchase if the sub-advisor has knowledge of the involvement of a Related Dealer.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator is that the Exemption Sought is granted, provided that the following conditions are satisfied:

(a) the IRC of the Fund must approve the transaction in accordance with the requirements of subsection 5.2(2) of NI 81-107;

(b) the Distribution must be made by way of a Public Offering or a Private Placement in the United States;

(c) any Related Dealer that is involved in the Distribution must be regulated in respect of its underwriting activities in Canada or the United States;

(d) the Securities issued in the Distribution must be listed on a Recognized Exchange;

(e) if the Securities are acquired in the 60-Day Period, they must be acquired on a Recognized Exchange;

(f) no later than the time the Funds file their annual financial statements, the Filers file the particulars of each investment made by the Funds during their most recently completed financial year; and

(g) appropriate disclosure of the terms of the Exemption Sought is made.

"Darren McKall"
Assistant Manager, Investment Funds Branch
Ontario Securities Commission

2.1.12 Nexans

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Application for relief from prospectus and dealer registration requirements in respect of certain trades in units of an employee savings fund made pursuant to a classic offering and a leveraged offering by French issuer – Relief from prospectus and dealer registration requirements upon the redemption of units for shares of the issuer. The offering involves the use of collective employee shareholding vehicles, each a fonds communs de placement d'entreprise (FCPE) – The Filer cannot rely on the employee prospectus exemption in section 2.24 of National Instrument 45-106 Prospectus and Registration Exemptions and the Manager cannot rely on the plan administrator exemption in section 8.16 of National Instrument 31-103 Registration Requirements and Exemptions as the shares are not being offered to Canadian employees directly by the issuer but through the FCPEs – Canadian employees will receive disclosure documents – The FCPEs are subject to the supervision of the French Autorité des marchés financiers – Relief granted, subject to conditions.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25, 53, 74(1).
National Instrument 31-103 Registration Requirements and Exemptions, s. 8.16.
National Instrument 45-102 Resale of Securities.
National Instrument 45-106 Prospectus and Registration Exemptions.

Translation

August 6, 2010

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
QUÉBEC AND ONTARIO
(the "Jurisdictions")

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
NEXANS
(the "Filer")

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the "**Decision Maker**") has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") for:

1. an exemption from the prospectus requirements of the Legislation (the "**Prospectus Relief**") so that such requirements do not apply to:

   (a) trades in units ("**Units**") of Nexans Plus 2010 B (the "**Fund**"), a compartment of Nexans Plus 2010, a *fonds communs de placement d'entreprise* or "FCPE" made pursuant to the global employee share offering of the Filer (the "**Employee Share Offering**") to or with Qualifying Employees (as defined below) resident in the Jurisdictions and in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Nova Scotia (collectively, the "**Offering Jurisdictions**") who elect to participate in the Employee Share Offering (collectively, the "**Canadian Participants**");

   (b) trades of ordinary shares of the Filer (the "**Shares**") by the Fund to Canadian Participants upon the redemption of Units at the request of Canadian Participants;

(c) the issuance of units ("**Classic Units**") of the Nexans Share Plan FCPE (the "**Classic Fund**") to holders of Units upon a transfer of the Canadian Participants' assets in the Fund to the Classic Fund at the end of the Lock-Up Period (defined below);

(d) trades of Shares by the Classic Fund to or with Canadian Participants upon the redemption of Classic Units at the request of Canadian Participants; and

2. an exemption from the dealer registration requirements of the Legislation (the "**Registration Relief**") so that such requirements do not apply to the Filer, the Fund, the Classic Fund, the Canadian Subsidiary (as defined below) and the Management Company (as defined below) in respect of the following:

(a) trades in Units made pursuant to the Employee Share Offering to Canadian Participants not resident in Ontario and Manitoba;

(b) trades in Shares by the Fund to Canadian Participants upon the redemption of Units at the request of the Canadian Participants;

(c) the issuance of Classic Units to Canadian Participants upon a transfer of the Canadian Participants' assets in the Fund to the Classic Fund at the end of the Lock-Up Period; and

(d) trades in Shares by the Classic Fund to the Canadian Participants upon the redemption of Classic Units at the request of the Canadian Participants.

(the Prospectus Relief and the Registration Relief collectively, the "**Offering Relief**").

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application):

(a) the Autorité des marchés financiers is the principal regulator for this application,

(b) the Filer has provided notice that section 4.7(1) of Regulation 11-102 ***Passport System*** ("**Regulation 11-102**") is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, and Nova Scotia, and

(c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

Terms defined in *Regulation 14-101 respecting Definitions*, *Regulation 45-102 respecting Resale of Securities*, *Regulation 45-106 respecting Prospectus and Registration Exemptions* and Regulation 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is a corporation formed under the laws of France and its head office is located in France. It is not, and has no current intention of becoming, a reporting issuer under the Legislation or under the securities legislation of the other Offering Jurisdictions. The Shares are listed on Euronext Paris.

2. The Filer carries on business in Canada through Nexans Canada Inc. (the "**Canadian Subsidiary**", and together with the Filer and other affiliates of the Filer, the "**Nexans Group**"). The head office of the Canadian Subsidiary is located in Ontario.

3. The Canadian Subsidiary is controlled by the Filer and is not, and has no current intention of becoming, a reporting issuer under the Legislation or under the securities legislation of the other Offering Jurisdictions.

4. As of the date hereof and after giving effect to the Employee Share Offering, Canadian residents do not and will not beneficially own more than 10% of the Shares and do not and will not represent in number more than 10% of the total number of holders of the Shares as shown on the books of the Filer (for purposes of this representation, the calculation of Shares owned by Canadian residents after giving effect to the Employee Share Offering shall include Shares which could be received by Canadian Participants upon the redemption of Units or Classic Units held by Canadian Participants).

5. The Employee Share Offering is comprised of one subscription option which is an offering of Shares to be subscribed through the Fund (the "**Leveraged Plan**").

6. Only persons who are employees of a member of the Nexans Group during the subscription period for the Employee Share Offering and who meet other employment criteria (collectively, the "**Qualifying Employees**") will be invited to participate in the Employee Share Offering and hold Units and Classic Units.

7. The Fund and the Classic Fund are established for the purpose of implementing the Employee Share Offering. The Fund and Classic Fund are not, and have no current intention of becoming, reporting issuers under the Legislation or under the securities legislation of the other Offering Jurisdictions.

8. The Fund is a compartment of, and the Classic Fund is, a *fonds communs de placement d'entreprise*, or FCPE, which is a form of collective shareholding vehicle of a type commonly used in France for the conservation or custodianship of shares held by employee-investors and such collective shareholding vehicles are limited liability entities under French law. The Fund and Classic Fund are registered with and approved by the Autorité des marchés financiers in France (the "**French AMF**"). The Classic Fund is an existing FCPE used for previous employee share offerings implemented by the Filer.

9. Canadian Participants will subscribe for Units pursuant to the terms and conditions of the Leveraged Plan, and the Fund will then subscribe for Shares using the Employee Contribution (as defined below) and certain financing made available by Société Générale (the "**Bank**"), a bank governed by the laws of France.

10. Canadian Participants will be invited to participate in the Leveraged Plan of the Employee Share Offering under the following terms:

    (a) The Shares will have a subscription price that is equal to the average price of the Shares on the 20 trading days preceding the date on which the subscription price is determined by the Board of Directors of the Filer (the "**Reference Price**"), less a 20% discount (the "**Subscription Price**").

    (b) Canadian Participants will contribute 16.66% of the Subscription Price (expressed in Euros) to be paid by the Fund (the "**Employee Contribution**"). Canadian Participants will pay the equivalent of the Employee Contribution in Canadian dollars. The Fund will enter into a swap agreement (the "**Swap Agreement**") with the Bank. Under the terms and conditions of the Swap Agreement, the Bank will contribute the remaining 83.34% of the Subscription Price of each Share subscribed by the Fund (the "**Bank Contribution**").

    (c) The Fund will apply the Employee Contribution and the Bank Contribution to subscribe for the Shares and the Canadian Participants will receive Units representing the subscribed Shares.

    (d) Under the terms of the Swap Agreement, the Fund will remit to the Bank an amount equal to the net amounts of any dividends paid on the Shares held in the Fund.

    (e) The Units will be subject to a hold period of approximately five years (the "**Lock-Up Period**"), subject to certain exceptions prescribed by French law (such as a release on death, long-term disability or involuntary termination of employment).

    (f) The Swap Agreement provides that, at the end of the Lock-Up Period, the Fund will pay to the Bank an amount equal to the market value of the Shares (as determined under the Swap Agreement) held by the Fund, less

        i. 100% of the Employee Contributions, plus

        ii. an amount equal to a multiple of 3.83 of the increase, if any, above the Reference Price, of the then average price of the Shares held by the Fund, calculated on the basis of the average of 60 monthly readings of the closing prices of the Shares over the Lock-Up Period using the greater of (A) the actual closing market price on each monthly date of calculation or (B) the Reference Price (the "**Appreciation Amount**");

        (collectively, the "**Redemption Formula**").

    (g) If, at the end of the Lock-Up Period, the market value of the Shares held in the Fund is less than 100% of the Employee Contributions, the Bank will, under the terms and conditions of a guarantee agreement (the "**Guarantee Agreement**") make a contribution to the Fund to make up for any shortfall.

(h) At the end of the Lock-Up Period, a Canadian Participant may elect to request the redemption of his or her Units in consideration for cash or Shares with a value calculated pursuant to the Redemption Formula.

(i) If a Canadian Participant does not request the redemption of his or her Units at the end of the Lock-Up Period, his or her investment in the Fund will be transferred to the Classic Fund in consideration for Classic Units. Canadian Participants will be able to request the redemption of their Classic Units at any time thereafter. However, following the transfer to the Classic Fund, the Canadian Participants' investment will no longer be covered by the Swap Agreement and the Guarantee Agreement, and the value of the Classic Units will correspond to the value of the Shares on Euronext Paris.

(j) Pursuant to the terms and conditions of the Guarantee Agreement, a Canadian Participant having subscribed for Units under the Leveraged Plan may receive 100% of his or her Employee Contribution at the end of the Lock-Up Period or upon the occurrence of an early unwind resulting from the Canadian Participant exercising one of the exceptions to the Lock-Up Period. The manager of the Fund, BNP Paribas Asset Management SAS (the "**Management Company**"), is permitted to cancel the Swap Agreement (which will have the effect of cancelling the Guarantee Agreement) in certain strictly defined conditions where it is in the best interests of the holders of Units. The Management Company is required under French law to act in the best interests of the holders of the Units. In the event that the Management Company terminates the Swap Agreement and that such termination was not in the best interests of the holders of the Units, then such holders would have a right of action under French law against the Management Company. Under no circumstances will a Canadian Participant in the Leveraged Plan be responsible to contribute an amount greater than his or her Employee Contribution.

(k) In the event of an early unwind resulting from the Canadian Participant satisfying one of certain exceptions to the Lock-Up Period prescribed by French law and meeting the applicable criteria, a Canadian Participant may request the redemption of his or her Units for a value calculated using the Redemption Formula. The measurement of the increase above the Reference Price, if any, will be calculated using similar rules to those applied to a redemption at the end of the Lock-up Period, but the increase will be measured using the value of the Shares at the time of the early unwind instead.

11. Any dividends paid on the Shares held in the Classic Fund will be contributed to the Classic Fund and used to purchase additional Shares on Euronext Paris. To reflect this reinvestment, the value of the Classic Units will be increased.

12. The Classic Fund's portfolio will consist almost entirely of Shares of the Filer. It may also consist, from time to time, of cash resulting from dividends paid on the Shares which will be reinvested in Shares, as well as cash or cash equivalents pending investments in the Shares or held for the purposes of Classic Unit redemptions.

13. The Fund's portfolio will consist of Shares and may also include, from time to time, cash or cash equivalents pending investments in the Shares or held for the purposes of Unit redemptions. The Fund's portfolio will also include the Swap Agreement.

14. For Canadian federal income tax purposes, the Canadian Participants will likely be deemed to receive all dividends paid on the Shares financed by either the Employee Contribution or the Bank Contribution, at the time such dividends are paid to the Fund, notwithstanding the actual non-receipt of the dividends' value by the Canadian Participants. Consequently, Canadian Participants will be required to fund the tax liability associated with the dividends without recourse to the actual dividends.

15. The payment of dividends on the Shares is approved at the shareholders' meeting of the Filer. The Filer has not made any commitment to the Bank as to any minimum payment in respect of dividends.

16. To respond to the fact that, at the time of the initial investment decision relating to participation in the Leveraged Plan, Canadian Participants will be unable to quantify their potential income tax liability resulting from such participation, the Filer or the Canadian Subsidiary will indemnify each Canadian Participant in the Leveraged Plan for all tax costs to the Canadian Participants associated with the payment of dividends in excess of a specified amount of Euros per calendar year per Share during the Lock-Up Period such that, in all cases, a Canadian Participant will, at the time of the original investment decision, be able to determine his or her maximum tax liability in connection with dividends received by the Fund on his or her behalf under the Leveraged Plan.

17. At the time the Fund's obligations under the Swap Agreement are settled, the Canadian Participant will realize a capital gain (or capital loss) by virtue of having an interest in the Swap Agreement to the extent that amounts received by the Fund, on behalf of the Canadian Participant, from the Bank exceed (or are less than) amounts paid by the Fund, on behalf of the Canadian Participant to the Bank. To the extent that amounts equal to the value of the dividends on

Shares that are deemed to have been received by a Canadian Participant are paid by the Fund to the Bank, such payments will reduce the amount of any capital gain (or increase the amount of any capital loss) to the Canadian Participant under the Swap Agreement. Capital losses (or gains) realized by a Canadian Participant under the Swap Agreement may generally be offset against (or reduced by) any capital gains (or losses) realized by the Canadian Participant on a disposition of the Shares, in accordance with the rules and conditions under the *Income Tax Act* (Canada) or comparable provincial legislation (as applicable).

18. The Management Company is a portfolio management company governed by the laws of France. The Management Company is registered with the French AMF to manage French investment funds and complies with the rules of the French AMF. The Management Company is not, and to the best of the Filer's knowledge has no current intention of becoming, a reporting issuer under the Legislation or under the securities legislation of the other Offering Jurisdictions.

19. The Management Company's portfolio management activities in connection with the Employee Share Offering, the Fund and the Classic Fund are limited to purchasing Shares from the Filer using the Employee Contribution and the Bank Contribution, selling such Shares as necessary in order to fund redemption requests, and such activities as may be necessary to give effect to the Swap Agreement.

20. The Management Company is also responsible for preparing accounting documents and publishing periodic informational documents as provided by the rules of the Fund and the Classic Fund and by the French AMF's regulations. The Management Company's activities do not affect the underlying value of the Shares.

21. Shares issued under the Employee Share Offering will be deposited in the Fund and in the Classic Fund, as applicable, through BNP Paribas Securities Services (the "**Depositary**"), a large French commercial bank subject to French banking legislation.

22. Under French law, the Depositary must be selected by the Management Company from among a limited number of companies identified on a list maintained by the French Minister of the Economy, Finance and Industry and its appointment must be approved by the French AMF. The Depositary carries out orders to purchase, trade and sell securities in the portfolio and takes all necessary action to allow the Fund and the Classic Fund to exercise the rights relating to the securities held in its portfolio.

23. Participation in the Employee Share Offering is voluntary, and Canadian Participants will not be induced to participate in the Employee Share Offering by expectation of employment or continued employment.

24. The total amount that may be invested by a Canadian Participant in the Employee Share Offering (including the Bank Contribution) cannot exceed 25% of his or her estimated gross annual remuneration for the 2010 calendar year.

25. The Fund is a limited liability entity and the offering documents provided to Canadian Participants will confirm that a Canadian Participant in the Leveraged Plan will not, under any circumstances, be liable to the Fund, the Bank or the Filer for amounts in excess of his or her Employee Contribution under the Leveraged Plan.

26. None of the Filer, the Management Company, the Canadian Subsidiary or any of their employees, agents or representatives will provide investment advice to Canadian Participants with respect to an investment in the Shares, the Units or the Classic Units.

27. It is anticipated that first trades of Shares by Canadian Participants will be effected through the facilities of, and in accordance with, the rules and regulations of Euronext Paris.

28. The Filer will retain a securities dealer registered as an investment dealer (the "**Registrant**") under the securities legislation of Ontario and Manitoba to provide advisory services to Canadian Participants resident in those provinces who wish to subscribe under the Leveraged Plan and to make a determination, in accordance with industry practices, as to whether an investment in the Leveraged Plan is suitable for each such Canadian Participant based on his or her particular financial circumstances.

29. Canadian Participants will receive an information package in the English or French language, at their choice, which will include a summary of the terms and conditions of the Employee Share Offering and a description of the relevant Canadian income tax considerations relating to subscribing for and holding the Units and redeeming Units at the end of the Lock-Up Period. The information package will also include a risk statement which will describe certain risks associated with an investment in Units pursuant to the Leveraged Plan, and a tax calculation document which will illustrate the general Canadian federal income tax consequences of participating in the Leveraged Plan.

30. Canadian Participants may also consult the Filer's annual reports posted on the Filer's website and will have access to the continuous disclosure materials relating to the Filer that are furnished to the Filer's shareholders generally. In

addition, upon request, a copy of the Fund's and Classic Fund's rules (which are analogous to company by-laws) and the French *Document de Référence* filed by the Filer with the French AMF will be available to Canadian Participants.

31. Canadian Participants will receive a statement indicating the number of Units they hold under the Leveraged Plan and the value of each Unit at least once a year.

32. There are approximately 538 Qualifying Employees in Canada residing in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec and Nova Scotia who represent, in the aggregate, less than 3% of the number of employees in the Nexans Group worldwide.

33. The Filer and the Canadian Subsidiary are not in default under the Legislation or under the securities legislation of the other Offering Jurisdictions. To the best of the Filer's knowledge, the Management Company is not in default under the Legislation or under the securities legislation of the other Offering Jurisdictions.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Makers to make the decision.

The decision of the Decision Makers under the Legislation is that the Offering Relief is granted provided that the first trade in Shares acquired by Canadian Participants pursuant to this Decision in a Jurisdiction is deemed a distribution or a primary distribution to the public under the Legislation of such Jurisdiction, unless the following conditions are met:

1. the issuer of the security

    a) was not a reporting issuer in any jurisdiction of Canada at the distribution date, or

    b) is not a reporting issuer in any jurisdiction of Canada at the date of the trade;

2. at the distribution date, after giving effect to the issue of the security and any other securities of the same class or series that were issued at the same time as, or as part of the same distribution as, the security, residents of Canada

    a) did not own, directly or indirectly, more than 10% of the outstanding securities of the class or series, and

    b) did not represent in number more than 10% of the total number of owners, directly or indirectly, of securities of the class or series; and

3. the first trade is made

    a) through the facilities of an exchange, or a market, outside of Canada, or

    b) to a person or company outside of Canada.

"Josée Deslauriers"
Director, Investment Funds and Continuous Disclosure

2.2. Orders

2.2.1 BCE Inc.

Headnote

Clause 104(2)(c) – Issuer bid – relief from issuer bid requirements in sections 94 to 94.8 and 97 to 98.7 of the Act – Issuer proposes to purchase, at a discounted purchase price, up to 2,666,666 of its common shares from one of its shareholders and/or such shareholder's affiliates – due to discounted purchase price, proposed purchases cannot be made through TSX trading system – but for the fact that the proposed purchases cannot be made through the TSX trading system, the Issuer could otherwise acquire the subject shares in reliance upon the issuer bid exemption available under section 101.2 of the Act and in accordance with the TSX rules governing normal course issuer bid purchases – no adverse economic impact on or prejudice to issuer or public shareholders – proposed purchases exempt from issuer bid requirements in sections 94 to 94.8 and 97 to 98.7 of the Act, subject to conditions, including that the issuer not purchase more than one-third of the maximum number of shares to be purchased under its normal course issuer bid by way of off-exchange block purchases.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 94 to 94.8, 97 to 98.7, 104(2)(c).

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c.S.5, AS AMENDED
(the "Act")

AND

IN THE MATTER OF
BCE INC.

ORDER

UPON the application (the "**Application**") of BCE Inc. (the "**Issuer**") to the Ontario Securities Commission (the "**Commission**") for an order pursuant to clause 104(2)(c) of the Act exempting the Issuer from the requirements of sections 94 to 94.8 and 97 to 98.7 of the Act (the "**Issuer Bid Requirements**") in respect of the proposed purchases by the Issuer of up to 2,666,666 (collectively, the "**Subject Shares**") of its common shares (the "**Common Shares**") in one or more trades from The Toronto-Dominion Bank and/or its affiliates (collectively, the "**Selling Shareholder**");

AND UPON considering the Application and the recommendation of staff of the Commission;

AND UPON the Issuer having represented to the Commission that:

1. The Issuer is a corporation governed by the *Canada Business Corporations Act*.

2. The head office and registered office of the Issuer are located at 1 Carrefour Alexander-Graham-Bell, Building A, 8th Floor, Verdun, Québec H3E 3B3.

3. The Issuer is a reporting issuer in each of the provinces of Canada and the Common Shares of the Issuer are listed for trading on the Toronto Stock Exchange ("**TSX**") and the New York Stock Exchange under the symbol "BCE". The Issuer is not in default of any requirement of the securities legislation in the jurisdictions in which it is a reporting issuer.

4. The authorized common share capital of the Issuer consists of an unlimited number of Common Shares, of which approximately 759,045,570 were issued and outstanding as of June 30, 2010.

5. The corporate headquarters of the Selling Shareholder are located in the Province of Ontario.

6. The Selling Shareholder has advised the Issuer that it does not directly or indirectly own more than 5% of the issued and outstanding Common Shares.

7. The Selling Shareholder has advised the Issuer that it is the beneficial owner of at least 2,667,000 Common Shares.

8. The Selling Shareholder is at arm's length to the Issuer and is not an "insider" of the Issuer or "associate" of an "insider" of the Issuer, or an "associate" or "affiliate" of the Issuer, as such terms are defined in the Act. The Selling Shareholder is an "accredited investor" within the meaning of National Instrument 45-106 *Prospectus and Registration Exemptions*.

9. On December 29, 2009, the Issuer commenced a normal course issuer bid (its "**Normal Course Issuer Bid**") for up to 20,000,000 Common Shares (subject to a maximum aggregate purchase price of $500 million) through the facilities of the TSX in accordance with sections 628 to 629.3 of Part VI of the TSX Company Manual (the "**TSX NCIB Rules**"). As at June 30, 2010, 8,534,000 Common Shares have been purchased under the Issuer's Normal Course Issuer Bid.

10. The Issuer and the Selling Shareholder have entered into an agreement of purchase and sale (the "**Agreement**") pursuant to which the Issuer has agreed, subject to regulatory approval, to acquire the Subject Shares from the Selling Shareholder by one or more purchases each occurring prior to July 29, 2010 (each such

purchase, a "**Proposed Purchase**") for a purchase price (the "**Purchase Price**") that will be determined pursuant to the Agreement. The Purchase Price will be at a discount to the prevailing market price and below the bid-ask price for the Issuer's Common Shares at the time of each Proposed Purchase.

11. The Subject Shares acquired under each Proposed Purchase will constitute a "block" as that term is defined in section 628 of the TSX NCIB Rules.

12. The purchase of the Subject Shares by the Issuer pursuant to the Agreement will constitute an "issuer bid" for purposes of the Act, to which the applicable Issuer Bid Requirements would apply.

13. Because the Purchase Price will be at a discount to the prevailing market price and below the bid-ask price for the Issuer's Common Shares at the time of each Proposed Purchase, each Proposed Purchase cannot be made through the TSX trading system and, therefore, will not occur "through the facilities" of the TSX. As a result, the Issuer will be unable to acquire the Subject Shares from the Selling Shareholder in reliance upon the exemption from the Issuer Bid Requirements that is available pursuant to section 101.2(1) of the Act.

14. But for the fact that the Purchase Price will be at a discount to the prevailing market price and below the bid-ask price for the Issuer's Common Shares at the time of each Proposed Purchase, the Issuer could otherwise acquire the Subject Shares as a "block purchase" (a "**Block Purchase**") in accordance with the block purchase exception in section 629(l)7 of the TSX NCIB Rules and the exemption from the Issuer Bid Requirements that is available pursuant to section 101.2(1) of the Act. The notice of intention to make a normal course issuer bid filed with the TSX by the Issuer contemplates that purchases under the bid may be made by such other means as may be permitted by the TSX, including by private agreements pursuant to an issuer bid exemption order issued by a securities regulatory authority.

15. For each Proposed Purchase, the Issuer will be able to acquire the Subject Shares from the Selling Shareholder without the Issuer being subject to the dealer registration requirements of the Act.

16. The Issuer is of the view that it will be able to purchase the Subject Shares at a lower price than the price at which it would be able to purchase the Shares under the Bid through the facilities of the TSX and the Issuer is of the view that this is an appropriate use of the Issuer's funds.

17. The purchase of the Subject Shares will not adversely affect the Issuer or the rights of any of the Issuer's securityholders and it will not materially affect the control of the Issuer. The Proposed Purchases will be carried out with a minimum of cost to the Issuer.

18. To the best of the Issuer's knowledge, as of June 30, 2010, the "public float" for the Common Shares represented more than 99% of all issued and outstanding Common Shares for purposes of the TSX NCIB Rules.

19. The market for the Common Shares is a "liquid market" within the meaning of section 1.2 of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*.

20. Other than the Purchase Price, no additional fee or other consideration will be paid in connection with the Proposed Purchases.

21. At the time that the Agreement was entered into by the Issuer and the Selling Shareholder, neither the Issuer nor the Selling Shareholder were aware of any undisclosed "material change" or any undisclosed "material fact" in respect of the Issuer (each as defined in the Act).

22. The Selling Shareholder owns the Subject Shares and the Subject Shares were not acquired in anticipation of resale pursuant to the Proposed Purchases.

AND UPON the Commission being satisfied to do so would not be prejudicial to the public interest;

IT IS ORDERED pursuant to clause 104(2)(c) of the Act that the Issuer be exempt from the Issuer Bid Requirements in connection with each Proposed Purchase, provided that:

(a) the Proposed Purchases will be taken into account by the Issuer when calculating the maximum annual aggregate limit that is imposed upon the Issuer's Normal Course Issuer Bid in accordance with the TSX NCIB Rules;

(b) the Issuer will refrain from conducting a Block Purchase in accordance with the TSX NCIB Rules during the calendar week that it completes each Proposed Purchase and may not make any further purchases under its Normal Course Issuer Bid for the remainder of that calendar day;

(c) the Purchase Price is not higher than the last "independent trade" (as that term is used in paragraph 629(l)1 of the TSX NCIB Rules) of a board lot of Common

Shares immediately prior to the execution of each Proposed Purchase;

(d) the Issuer will otherwise acquire any additional Common Shares pursuant to its Normal Course Issuer Bid and in accordance with the TSX NCIB Rules, including by means of open market transactions and by other means as may be permitted by the TSX, including private agreements under an issuer bid exemption issued by a securities regulatory authority;

(e) immediately following each Proposed Purchase of the Subject Shares from the Selling Shareholder, the Issuer will report the purchase of the Subject Shares to the TSX;

(f) at the time that the Agreement was entered into by the Issuer and the Selling Shareholder, neither the Issuer nor the Selling Shareholder were aware of any undisclosed "material change" or any undisclosed "material fact" in respect of the Issuer (each as defined in the Act); and

(g) the Issuer will issue a press release in connection with the Proposed Purchases.

DATED at Toronto this 20th day of July, 2010.

"James Turner"
Commissioner
Ontario Securities Commission

"Mary Condon"
Commissioner
Ontario Securities Commission

2.2.2 Norshield Asset Management (Canada) Ltd. et al. – ss. 127, 127.1

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

AND

IN THE MATTER OF
NORSHIELD ASSET MANAGEMENT (CANADA) LTD.,
OLYMPUS UNITED GROUP INC., JOHN XANTHOUDAKIS,
DALE SMITH AND PETER KEFALAS

ORDER FOR SANCTIONS AND COSTS
(Sections 127 and 127.1 of the Act)

WHEREAS the proceeding in this matter was commenced by a Statement of Allegations and Notice of Hearing dated October 11, 2006;

AND WHEREAS following a hearing, a decision on the merits was issued on March 8, 2010;

AND WHEREAS following a subsequent hearing, a decision on sanctions and costs was issued on August 6, 2010;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make the following orders;

IT IS ORDERED that:

1. With respect to Norshield Asset Management (Canada) Ltd. ("NAM") and Olympus United Group Inc. ("Olympus United Group"):

   (a) pursuant to clause 1 of subsection 127(1) of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act"), the registration under the Act of each of NAM and Olympus United Group is terminated;

   (b) pursuant to clause 1 of subsection 127(1) of the Act, each of NAM and Olympus United Group is permanently prohibited from becoming registered under the Act;

   (c) pursuant to clause 2 of subsection 127(1) of the Act, each of NAM and Olympus United Group shall cease trading in securities permanently; and

   (d) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to each of NAM and Olympus United Group permanently.

2. With respect to John Xanthoudakis and Dale Smith:

   (a) pursuant to clause 1 of subsection 127(1) of the Act, Mr. Xanthoudakis's registration under the Act is terminated;

   (b) pursuant to clause 1 of subsection 127(1) of the Act, each of Mr. Xanthoudakis and Mr. Smith is permanently prohibited from becoming registered under the Act;

   (c) pursuant to clause 2 of subsection 127(1) of the Act, each of Mr. Xanthoudakis and Mr. Smith shall cease trading in securities permanently, except that Mr. Xanthoudakis and Mr. Smith may trade in securities for the account of their registered retirement savings plans and/or registered retirement income funds (as defined in the *Income Tax Act* (Canada)) in which they and/or their spouses have sole legal and beneficial ownership, provided that, as the order applies to each of them as individuals:

      (i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund which is a reporting issuer;

      (ii) he does not own legally or beneficially (in the aggregate, together with his spouse) more than one percent of the outstanding securities of the class or series of the class in question; and

(iii) he carries out any permitted trading through a registered dealer (which dealer must be given a copy of this order) and through accounts opened in his name only;

(d) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to each of Mr. Xanthoudakis and Mr. Smith permanently;

(e) pursuant to clause 6 of subsection 127(1) of the Act, each of Mr. Xanthoudakis and Mr. Smith is reprimanded;

(f) pursuant to clause 7 of subsection 127(1) of the Act, each of Mr. Xanthoudakis and Mr. Smith is ordered to resign all positions held as a director or officer of an issuer;

(g) pursuant to clause 8 of subsection 127(1) of the Act, each of Mr. Xanthoudakis and Mr. Smith is permanently prohibited from becoming or acting as a director or officer of any issuer; and

(h) pursuant to clause 9 of subsection 127(1) of the Act, each of Mr. Xanthoudakis and Mr. Smith is required to pay the following administrative penalties, for allocation to or for the benefit of third parties, in accordance with subsection 3.4(2)(b) of the Act:

(i) $1,000,000 in respect of their breaches of section 2.1 of OSC Rule 31-505 which required that they deal fairly, honestly and in good faith with investors;

(ii) $1,000,000 in respect of their breaches of section 19 of the Act and section 113 of Ontario Regulation 1015, which require that books and records of NAM and Olympus United Group be maintained; and

(iii) $125,000 for misleading Staff, contrary to subsection 122(1)(a) of the Act; and

(i) pursuant to section 127.1 of the Act, Mr. Xanthoudakis and Mr. Smith shall jointly and severally pay to the Commission, the Commission's costs of the investigation and hearing of this matter in the amount of $295,000.

3. With respect to Mr. Kefalas:

(a) pursuant to clause 1 of subsection 127(1) of the Act, Mr. Kefalas is prohibited from becoming registered under the Act for a period of two years;

(b) pursuant to clause 1 of subsection 127(1) of the Act, a term and condition of supervision is imposed on Mr. Kefalas's registration for a period of two years should he seek to be registered after the prohibition period referred to above; and

(c) pursuant to clause 8.2 of subsection 127(1) of the Act, Mr. Kefalas is prohibited from becoming or acting as a director or officer of a registrant for a period of two years.

Dated at Toronto this 6th day of August, 2010.

"David L. Knight"

"Margot C. Howard"

2.2.3 Robert Joseph Vanier (a.k.a. Carl Joseph Gagnon)

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

AND

**IN THE MATTER OF
ROBERT JOSEPH VANIER
(a.k.a. CARL JOSEPH GAGNON)**

ORDER

WHEREAS on March 29, 2010, 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 "Act"), accompanied by a Statement of Allegations issued by Staff of the Commission ("Staff") with respect to Robert Joseph Vanier (the "Respondent");

AND WHEREAS on April 8, 2010, this matter was adjourned to April 9, 2010;

AND WHEREAS on April 9, 2010, this matter was adjourned to April 12, 2010;

AND WHEREAS on April 12, 2010 this matter was adjourned to May 10, 2010;

AND WHEREAS on May 10, 2010 the Commission ordered that the matter be set down for a hearing on the merits to commence August 10, 2010, through August 13, 2010, inclusive (the "Hearing Dates");

AND WHEREAS Staff of the Commission ("Staff") and the Respondent signed a settlement agreement dated August 5, 2010 (the "Settlement Agreement");

AND WHEREAS Commission issued an order approving the Settlement Agreement on August 9, 2010;

AND WHEREAS the Commission considers it to be in the public interest;

IT IS ORDERED THAT that the Hearing Dates are vacated.

DATED at Toronto this 9th day of August, 2010

"Carol S. Perry"

2.2.4 Robert Joseph Vanier (a.k.a. Carl Joseph Gagnon) – ss. 127, 127.1

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

AND

**IN THE MATTER OF
ROBERT JOSEPH VANIER
(a.k.a. CARL JOSEPH GAGNON)**

**ORDER
(sections 127 and 127.1)**

WHEREAS on August 6, 2010, the Commission issued a Notice of Hearing pursuant to section 127 and 127.1 of the *Securities Act*, R.S.O. 1990 c. S.5 as amended (the "Act"), to consider whether it was in the public interest to approve a settlement agreement entered into between the Robert Joseph Vanier (the "Respondent" or "Vanier") and Staff of the Commission ("Staff");

AND WHEREAS the Vanier entered into a Settlement Agreement with Staff dated August 5, 2010 (the "Settlement Agreement") in which he agreed to a settlement of the proceedings commenced by the Notice of Hearing dated March 29, 2010, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and Staff's Statement of Allegations dated March 29, 2010, and upon reading the submissions from counsel for Staff, and upon hearing submissions from counsel for Staff and counsel for Vanier;

AND WHEREAS Vanier acknowledges that the facts set out in Part III of the Settlement Agreement constituted a breach of sections 56(1), 122(1)(b) and 129.2 of the Act and conduct contrary to the public interest under the Act;

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 between Vanier and Staff is approved;

(b) Vanier shall cease trading in and acquisitions of any securities for a period of thirteen (13) years commencing thirty (30) days after the date of this order, with the exception that Vanier be permitted to trade in and acquire securities within a single account for a registered retirement savings plan (as defined in the *Income Tax Act* (Canada)) in which he has sole legal and beneficial ownership and interest, provided that:

(i) the securities are listed and posted for trading on the Toronto Stock Exchange,

the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund which is a reporting issuer;

(ii) Vanier does not own legally or beneficially more than one percent of the outstanding securities of the class or series of the class in question; and

(iii) Vanier must carry out any permitted trading through a registered dealer and through one account opened in his name only and must close any other accounts;

(c) any exemptions in Ontario securities law do not apply to Vanier for a period of thirteen (13) years commencing thirty (30) days after the date of this order;

(d) Vanier is hereby reprimanded;

(e) Vanier resign any positions that he holds as a director or officer of an issuer, registrant, or investment fund manager within thirty (30) days of the date of this order;

(f) Vanier is prohibited from becoming or acting as an officer or director of an issuer, registrant or investment fund manager permanently commencing thirty (30) days after the date of this order;

(g) Vanier is prohibited from becoming or acting as a registrant, investment fund manager or promoter permanently; and

(h) Vanier agrees to pay costs of the investigation in the amount of $10,000 to the Commission.

Dated this 9th day of August, 2010.

"Carol S. Perry"

2.2.5 Robert Joseph Vanier (a.k.a. Carl Joseph Gagnon)

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

AND

IN THE MATTER OF
ROBERT JOSEPH VANIER
(a.k.a. CARL JOSEPH GAGNON)

ORDER

WHEREAS on March 29, 2010, 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 "Act"), accompanied by a Statement of Allegations issued by Staff of the Commission ("Staff") with respect to Robert Joseph Vanier (the "Respondent");

AND WHEREAS the Respondent entered into a Settlement Agreement with Staff dated August 5, 2010 (the "Settlement Agreement") in which he agreed to a settlement of the proceedings commenced by Notice of Hearing dated March 29, 2010, subject to the approval of the Commission;

AND WHEREAS the Commission held a hearing to consider whether it was in the public interest to approve the Settlement Hearing on August 9, 2010 (the "Settlement Hearing");

AND WHEREAS Staff brought a preliminary motion for certain procedural relief at the Settlement Hearing;

AND UPON reviewing the Settlement Agreement and the Statement of Allegations, and upon reading written submissions from counsel for Staff, and upon hearing submissions;

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 time for service and filing of the Notice of Motion dated August 5, 2010, the Settlement Agreement and all materials filed for the purposes of the Settlement Hearing is abridged;

(b) the Settlement Hearing will be heard *in camera*;

(c) the Settlement Agreement, all materials filed for the Settlement Hearing, and all transcripts arising from the Settlement Hearing are sealed for a period of four (4) months from the date of this Order;

(d) the requirement to post the Settlement Agreement and any materials filed for the Settlement Hearing is delayed for a period of four (4) months from the date of this Order; and

(e) any reprimand of the Respondent may be issued *in absentia*.

DATED at Toronto this 9th day of August, 2010

"Carol S. Perry"

2.2.6 Zaruma Resources Inc. – s. 144

Headnote

Application by an issuer for a revocation of a cease trade order issued by the Commission – cease trade order issued because the issuer had failed to file certain continuous disclosure materials required by Ontario securities law – defaults subsequently remedied by bringing continuous disclosure filings up-to-date – cease trade order revoked.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 127, 144.

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S.5, AS AMENDED
(the Act)

AND

IN THE MATTER OF
ZARUMA RESOURCES INC.

ORDER
(Section 144)

WHEREAS the securities of Zaruma Resources Inc. (the **Filer**) are currently subject to a cease trade order made by the Director on May 25, 2010 under paragraph 2 of subsection 127(1) of the Act, directing that all trading in and acquisitions of the securities of the Filer, whether direct or indirect, cease until the order is revoked by the Director (the **Ontario Cease Trade Order**);

AND WHEREAS the Filer has applied to the Ontario Securities Commission (the **Commission**) pursuant to section 144 of the Act (the **Application**) for a revocation of the Ontario Cease Trade Order;

AND UPON the Filer representing to the Commission that:

1. The Filer was continued under the Yukon *Business Corporations Act* and is a valid and subsisting corporation under the laws of the Yukon Territory.

2. The Filer is a reporting issuer under the securities legislation of Alberta, British Columbia and Ontario. It is not a reporting issuer in any other jurisdiction in Canada.

3. The registered office of the Filer is located at 12th Floor, 20 Toronto Street, Toronto, Ontario, M5C 2B8.

4. The Ontario Cease Trade Order was issued as a result of the failure of the Filer to file with the Commission annual audited financial statements in respect of the year ended December 31, 2009,

together with the management's discussion and analysis related thereto, and certification of the foregoing filings as required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filing* (collectively, the "**Annual Financial Statement Material**") within the prescribed time as required by the Act.

5. The Filer was not able to meet its continuous disclosure requirements due to a delay in the completion of the audit of the Annual Financial Statement Material.

6. The Annual Financial Statement Material has now been filed with the Commission, and has been distributed to all registered and beneficial shareholders of the Filer who have requested such material.

7. The Filer is also subject to a cease trade order issued by the British Columbia Securities Commission on May 18, 2010 (the **BC Order**). The Filer is concurrently making application to the British Columbia Securities Commission for revocation of the BC Order.

8. The Filer's SEDAR and SEDI profiles are up-to-date.

9. The Filer had its annual meeting of shareholders on July 19, 2010.

10. Other than the Ontario Cease Trade Order and the BC Order, the Filer is not in default of any of the requirements of the Act, or the rules and regulations made pursuant thereto.

11. The Filer is up-to-date with all of its other continuous disclosure obligations and has paid any outstanding participation fees, filing fees and late fees associated with those obligations owing to the Commission in connection with the disclosure documents referred to in paragraph 4 above and has filed all of the forms associated with such payments.

12. The Filer has not changed its business since the date of the Ontario Cease Trade Order.

13. Effective June 14, 2010, Daniel John Major was appointed as a director of the Filer. Other than this appointment, the Filer has had no changes to its directors since the date of the Ontario Cease Trade Order.

14. Upon the issuance of this Order, the Filer will issue a press release announcing the revocation of the Ontario Cease Trade Order of the Filer. The Filer will concurrently file the press release and material change report on SEDAR.

AND WHEREAS considering the Application and the recommendation of the staff of the Commission;

AND WHEREAS the Director being satisfied that it would not be prejudicial to the public interest;

IT IS ORDERED pursuant to section 144 of the Act that the Ontario Cease Trade Order is revoked.

DATED this 10th day of August, 2010.

"Jo-Anne Matear"
Assistant Manager, Corporate Finance
Ontario Securities Commission

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions, Orders and Rulings

3.1.1 Norshield Asset Management (Canada) Ltd. et al. – ss. 127, 127.1

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

AND

IN THE MATTER OF
NORSHIELD ASSET MANAGEMENT (CANADA) LTD.,
OLYMPUS UNITED GROUP INC., JOHN XANTHOUDAKIS,
DALE SMITH AND PETER KEFALAS

REASONS AND DECISION ON SANCTIONS AND COSTS
(Sections 127 and 127.1 of the Act)

Hearing:	April 20, 2010		
Decision:	August 6, 2010		
Panel:	David L. Knight, F.C.A.	–	Commissioner and Chair of the Panel
	Margot C. Howard, CFA	–	Commissioner
Appearances:	Pamela Foy Amanda Heydon	–	For Staff of the Commission
	Alistair Crawley	–	For John Xanthoudakis and Dale Smith
	Peter Kefalas	–	Self-represented

No one appeared for Norshield Asset Management (Canada) Ltd. or Olympus United Group Inc.

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REASONS AND DECISION ON SANCTIONS AND COSTS

I. BACKGROUND

[1] This was a bifurcated hearing before the Ontario Securities Commission (the "Commission") pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), to consider whether it is in the public interest to make an order with respect to sanctions and costs against Norshield Asset Management (Canada) Ltd. ("NAM"), Olympus United Group Inc. ("Olympus United Group"), John Xanthoudakis, Dale Smith and Peter Kefalas (collectively, the "Respondents").

[2] The Respondents were involved in an investment structure, referred to as the "Norshield Investment Structure", that resulted in the loss of most of the $159 million invested by 1,900 Canadian retail investors. Additional funds were raised from institutional investors at other levels of the Norshield Investment Structure.

[3] The hearing on the merits was heard over 16 days from October 27 to December 11, 2008, and on May 5 and 6, 2009.

[4] The Reasons and Decision for the hearing on the merits were issued on March 8, 2010 in *Re Norshield Asset Management* (2010), 33 O.S.C.B. 2139 (the "Merits Decision"), and a hearing was subsequently held on April 20, 2010 to consider submissions from Staff of the Commission ("Staff") and the Respondents regarding sanctions and costs (the "Sanctions and Costs Hearing").

[5] At the Sanctions and Costs Hearing, we heard from four witnesses called to testify by Staff, who gave evidence on how they were personally impacted by the failure of the Norshield Investment Structure.

[6] Following the Sanctions and Costs Hearing, we received additional written submissions from Staff and Mr. Xanthoudakis and Mr. Smith with regards to the availability of administrative penalties for a breach of the duty to deal fairly, honestly and in good faith with clients, pursuant to subsections 2.1(1) and (2) of OSC Rule 31-505.

[7] We find that it is in the public interest to order that the Respondents be subject to sanctions, as set out in the order we have issued along with these reasons and decision. We impose these sanctions for the reasons that follow.

II. THE MERITS DECISION

A. Our Findings on Staff's Allegations

[8] In the Merits Decision, the panel made the following findings:

(i) NAM, Olympus United, Mr. Xanthoudakis and Mr. Smith failed to deal fairly, honestly and in good faith with investors, contrary to subsections 2.1(1) and (2) of OSC Rule 31-505 – *Conditions of Registration*;

(ii) NAM and Olympus United Group failed to keep and maintain proper books and records in relation to the Norshield Investment Structure, contrary to section 19 of the Act and section 113 of Ontario Regulation 1015 of the Act;

(iii) as a consequence of their positions of seniority and responsibility and in their positions as officers and directors of NAM and Olympus United Group, Mr. Xanthoudakis and Mr. Smith authorized, permitted and acquiesced in the breaches of Ontario securities laws in (i) and (ii), above;

(iv) Mr. Xanthoudakis and Mr. Smith knowingly made statements and provided evidence and information to Staff that was materially misleading and failed to state facts which were required to be stated in an effort to hide violations of Ontario securities laws, contrary to clause (a) of subsection 122(1) of the Act; and

(v) Mr. Xanthoudakis, Mr. Smith and Mr. Kefalas engaged in a course of conduct that was abusive to and compromised the integrity of Ontario's capital markets and was contrary to the public interest.

(Merits Decision at para. 334.)

B. The Flow of Funds through the Norshield Investment Structure

[9] The Norshield Investment Structure was a multi-jurisdictional corporate structure that was designed to raise and manage retail and institutional funds. Retail investors were generally issued shares in Olympus United Funds Corporation ("Olympus United Funds"), which were issued pursuant to a series of offering memoranda for shares of Olympus United Funds marketed by Olympus United Group. Additional funds were raised from retail and institutional investors at another level in the Norshield Investment Structure. NAM provided portfolio management services to Olympus United Funds. Mr. Xanthoudakis and Mr. Smith held positions as officers and directors of many of the entities in the Norshield Investment Structure, including NAM and Olympus United Group, and the Merits Decision panel found that they were the directing minds of the overall Norshield Investment Structure.

[10] As described to investors in Olympus United Funds, they were to be provided access to a portfolio of hedge fund managers which they would have had difficulty accessing individually due to the minimum investment requirements of each hedge fund manager. In reality, investors' funds were not substantially allocated to a portfolio of hedge fund managers, as had been communicated to them.

[11] Instead, funds were eventually invested in Mosaic Composite (U.S.) Inc. ("Mosaic Composite"), a corporation which notionally divided its assets into "hedged assets" and "non-hedged assets". The hedged assets included an option purchased from the Royal Bank of Canada that increased or decreased in value based on the value of the underlying hedge fund portfolios (the "SOHO Option"). The bulk of the remaining assets were invested in a portfolio of equity investments through four Bahamian funds (the "Channel Funds").

[12] As summarized at paragraph 22 of the Merits Decision,

> Ultimately, the value of the investments in the Channel Funds and the other assets fell far short of the funds invested in them and there is little residual value remaining for retail and institutional investors. The task of surfacing value has been complicated by missing or incomplete records, multiple jurisdictions, competing claims and intercorporate transfers.

III. SANCTIONS AND COSTS REQUESTED BY STAFF

A. Sanctions

Specific Sanctions Requested

[13] Staff is requesting that the following sanctions be ordered against the Respondents.

[14] With respect to NAM and Olympus United Group, Staff request:

(a) pursuant to clause 1 of subsection 127(1) of the Act, an order that the registration under the Act of each of NAM and Olympus United Group be terminated;

(b) pursuant to clause 1 of subsection 127(1) of the Act, an order that each of NAM and Olympus United Group be permanently prohibited from becoming registered under the Act;

(c) pursuant to clause 2 of subsection 127(1) of the Act, an order that each of NAM and Olympus United Group cease trading in securities permanently; and

(d) pursuant to clause 3 of subsection 127(1) of the Act, an order that any exemptions contained in Ontario securities law do not apply to each of NAM and Olympus United Group permanently.

[15] With respect to Mr. Xanthoudakis and Mr. Smith, Staff request:

(a) pursuant to clause 1 of subsection 127(1) of the Act, an order that Mr. Xanthoudakis's registration under the Act be terminated;

(b) pursuant to clause 1 of subsection 127(1) of the Act, an order that each of Mr. Xanthoudakis and Mr. Smith be permanently prohibited from becoming registered under the Act;

(c) pursuant to clause 2 of subsection 127(1) of the Act, an order that each of Mr. Xanthoudakis and Mr. Smith cease trading in securities permanently;

(d) pursuant to clause 3 of subsection 127(1) of the Act, an order that any exemptions contained in Ontario securities law do not apply to each of Mr. Xanthoudakis and Mr. Smith permanently;

(e) pursuant to clause 6 of subsection 127(1) of the Act, an order reprimanding each of Mr. Xanthoudakis and Mr. Smith;

(f) pursuant to clause 7 of subsection 127(1) of the Act, an order that each of Mr. Xanthoudakis and Mr. Smith resign all positions that they hold as a director or officer of an issuer;

(g) pursuant to clause 8 of subsection 127(1) of the Act, an order that each of Mr. Xanthoudakis and Mr. Smith be permanently prohibited from becoming or acting as a director or officer of any issuer; and

(h) pursuant to clause 9 of subsection 127(1) of the Act, an order requiring each of Mr. Xanthoudakis and Mr. Smith to pay the following administrative penalties, for allocation to or for the benefit of third parties:

- $1,000,000 in respect of their breaches of section 2.1 of OSC Rule 31-505 which required that they deal fairly, honestly and in good faith with investors;
- $1,000,000 in respect of their breaches of section 19 of the Act and section 113 of Ontario Regulation 1015, which required that books and records of NAM and Olympus United Group be maintained; and
- $250,000 for misleading Staff, contrary to subsection 122(1)(a) of the Act.

[16] With respect to Mr. Kefalas, Staff request:

(a) pursuant to clause 1 of subsection 127(1) of the Act, an order that Mr. Kefalas be prohibited from becoming registered under the Act for a period of 3 years;

(b) pursuant to clause 1 of subsection 127(1) of the Act, an order that a term and condition of supervision be imposed on Mr. Kefalas's registration for a period of 3 years should he seek to be registered after the prohibition period referred to above; and

(c) pursuant to clause 8.2 of subsection 127(1) of the Act, an order that Mr. Kefalas be prohibited from becoming or acting as a director or officer of a registrant for a period of 3 years.

[17] In support of these requests, Staff called four investor witnesses who testified about how they were personally impacted.

Factors to Consider when Determining the Appropriate Sanctions

[18] Staff submit that the allegations against Mr. Xanthoudakis and Mr. Smith, as proven, are extremely serious:

> Xanthoudakis and Smith failed to account for investors' funds despite their positions of seniority within the Norshield Investment Structure. More particularly, Xanthoudakis and Smith participated in transactions which artificially inflated the NAVs reported to investors. By this conduct, investors were mislead into believing that their funds were invested in a structure that had value and liquidity, of which it had neither, at least in 2004 and 2005. Further, Xanthoudakis and Smith participated in transactions which preferred the interests of certain investors over others. Conduct of this nature is unlawful, improper and a violation of their positions of authority within the Norshield Investment Structure. Last, Xanthoudakis and Smith misled Staff about the true structure of the Norshield investments during the regulatory on-site review of the Corporate Respondents' business in an effort to hide their unlawful conduct.
>
> (Sanctions Submissions of Staff, dated April 19, 2010 at paragraph 16.)

[19] Staff submit that NAM, Olympus United Group, Mr. Xanthoudakis and Mr. Smith acted dishonestly, treated investors unfairly, contributed to the losses experienced by investors and misled Staff. This conduct, they submit, is particularly egregious; the nature and scale of their misconduct warrant higher administrative penalties and trading, registration, and director and officer bans.

[20] Staff submit that the roles held by Mr. Kefalas as Compliance Officer and Ultimate Responsible Person are crucial to the proper regulation of the capital markets, and Mr. Kefalas's failure to properly discharge his responsibilities resulted in harm to investors and to the capital markets.

[21] Citing the Commission's recent decision in *Re Rowan* (2009), 33 O.S.C.B. 91 ("*Rowan*") at para. 145, Staff submit that as registrants, the Respondents are expected to have a higher level of awareness of securities law requirements and the importance of those requirements to the capital markets. As such, Staff submit that the Respondents' breaches of Ontario securities law should be treated as significantly more serious than if they had not been registered.

[22] Staff submit that we should consider the scale of the Respondents' unlawful activity when assessing appropriate sanctions. They submit that the nearly entire loss of $159 million invested by close to 2,000 investors, most of whom were Ontario residents, and the period of time over which the misconduct occurred indicate that significant sanctions should be ordered.

[23] With respect to Mr. Kefalas, Staff submit that severe sanctions are warranted given the magnitude of loss suffered by investors and the gate-keeping function of a Compliance Officer or Ultimate Responsible Person.

[24] Staff also draw our attention to the fact that neither Mr. Xanthoudakis nor Mr. Smith have demonstrated any recognition of the seriousness of their improprieties.

[25] Staff submit that an order permanently removing NAM, Olympus United Group, Mr. Xanthoudakis and Mr. Smith from the marketplace and significant administrative penalties would be proportionate to the Respondents' conduct and would have a deterrent effect on the Respondents and like-minded individuals.

[26] Staff contend that an administrative penalty would be appropriate since the Respondents are registrants and the scope of their misconduct is broad. They submit that the administrative penalty should have sufficient magnitude to effectively deter similar behaviour by the Respondents and others.

[27] Staff referred to *Cartaway Resources Corp.*, [2004] 1 S.C.R. 672 ("*Cartaway*") at para. 5, in which the Supreme Court of Canada agreed with the penalty imposed by the British Columbia Securities Commission on respondents who had leadership roles, stating that their "deceitful conduct and leadership roles justified the imposition of a higher penalty than that imposed on their confederates." An order that the maximum penalty of $100,000 be paid was upheld by the court.

[28] Staff also cited the Commission's decision in *Re Limelight Entertainment Inc.* (2008), 31 O.S.C.B. 12030 ("*Limelight*"), where administrative penalties of $175,000 and $200,000 were ordered against two respondents who were directing minds. These respondents were also jointly and severally liable to disgorge $2.75 million to the Commission. This order was made after consideration of factors including the amount raised from investors, the egregious conduct of the respondents in causing harm to investors and the marketplace, the loss of the entire amount of investments and misleading statements made to Staff by the respondents. (*Limelight*, *supra* at para. 33). The panel noted that the quantum of administrative penalties ordered would have been higher had the disgorgement order not been made.

[29] Staff urge us to consider mitigating factors when assessing what sanctions would be appropriate for Mr. Kefalas. These mitigating factors include Mr. Kefalas's belief that NAM's legal counsel was the person responsible for compliance in practice and that he was never asked to practically fulfill any ongoing compliance function by NAM.

[30] At the Sanctions and Costs Hearing, Staff requested that any administrative penalties ordered be allocated to the receiver for NAM, for the benefit of investors in the Norshield Investment Structure.

B. Costs

[31] Staff also request an order pursuant to subsection 127.1 of the Act that Mr. Xanthoudakis and Mr. Smith shall jointly and severally pay to the Commission $295,000 in costs. Staff does not request an order of costs with respect to the other Respondents.

[32] The total costs incurred for this proceeding is calculated to be $998,320, which includes work done by investigation and litigation Staff. Staff are claiming costs of $414,077.50, which reflects the hours claimed for two litigators' preparation for the hearing, and some costs associated with a Staff investigator's investigation and preparation for the hearing. This total is adjusted down in Staff's final claim for costs to reflect the fact that only five of the seven allegations were made out against the Respondents. Hence, Staff's request that $295,000 be paid.

IV. THE POSITIONS OF THE RESPONDENTS

[33] NAM is currently in receivership. Both NAM and Olympus United Group were unrepresented at the Sanctions and Costs hearing. We received no submissions from these Respondents.

A. Mr. Xanthoudakis and Mr. Smith

Trading, Registration and other Restrictions

[34] Mr. Xanthoudakis and Mr. Smith submit that the conduct addressed in this proceeding does not correlate to the cease trading and personal exemption remedies requested by Staff. They suggest that the sanctions relating to bans on trading and exclusions from exemptions are not appropriate in the circumstances.

[35] In contrast, they submit that restrictions on their registration and their ability to be or act as directors or officers of issuers relate to the conduct at issue.

Administrative Penalties

[36] Mr. Xanthoudakis and Mr. Smith submit that in addition to the general public interest requirement for any order made under subsection 127(1), an order that a respondent pay an administrative penalty requires that the respondent breached Ontario securities law.

[37] They agree with Staff's submission that a breach of section 19 of the Act, relating to books and records requirements, is a breach of Ontario securities law. However, they submit that a breach of section 19 should not warrant a penalty in the magnitude of $1,000,000.

[38] Mr. Xanthoudakis and Mr. Smith also agree that a finding that they misled Staff during the on-site compliance review would be a breach of Ontario securities law. They submit that this finding in the Merits Decision was based on an omission to discuss the Channel Funds, rather than a positive misstatement. They suggest that the seriousness of this breach can be distinguished from cases where respondents have made statements that are misleading.

[39] Mr. Xanthoudakis and Mr. Smith submit that we should consider mitigating circumstances when deciding whether an administrative penalty is appropriate and, if so, the quantum of that penalty. They submit that the Respondents were in crisis mode at the time of the on-site compliance review and Mr. Xanthoudakis believed he was going to have a follow-up interview with Staff during the next couple weeks, where there could have been further disclosure of his knowledge of the investment structure.

[40] Mr. Xanthoudakis and Mr. Smith do not agree that a breach of OSC Rule 31-505 constitutes a breach of Ontario securities law that could lead to an administrative penalty. They submit that it is less than clear whether a breach of the general duty that "A registered dealer or advisor shall deal fairly, honestly and in good faith with its clients" amounts to a failure to comply with Ontario securities law.

[41] They submit that the definition of "regulations", which constitutes Ontario securities law under the Act, includes rules *unless the context otherwise indicates*. Looking at the context, they submit that rules such as section 2.1 of OSC Rule 31-505 which make a very general statement can be distinguished from rules that specifically articulate a particular obligation in a way that is more discernable and concrete. This issue is addressed more fully in paragraphs 51 to 71, below.

[42] Regarding the amount of any administrative penalty, counsel for Mr. Xanthoudakis and Mr. Smith submits that *Cartaway* dealt with an entirely different set of circumstances than are at issue in this proceeding; the two individuals earned $5.1 million in personal trading profits relating to trades in securities of the issuer in that proceeding, whereas, in this case, there were no findings that either Mr. Xanthoudakis or Mr. Smith personally profited. They submit that *Cartaway* does not provide any guidance with respect to the quantum of administrative penalty that should be ordered.

[43] Mr. Xanthoudakis and Mr. Smith also distinguish *Limelight* from this proceeding, and submit that it is difficult to find any points of similarity between that case and this one.

[44] In reply to Staff's statement that they have not shown any remorse or recognized the seriousness of their improprieties, Mr. Xanthoudakis and Mr. Smith submit that they were entitled to defend themselves in regard to the allegations brought against them, and that little weight should be placed on how they have responded to this proceeding, including their choice not to testify. At the Sanctions and Costs Hearing, counsel for Mr. Xanthoudakis and Mr. Smith stated:

> In my submission that is a rather unfair point to make in that I think it is well understood that in our legal system that responding to and defending a proceeding brought against you is something that

> one is entitled to do and that, in the course of doing that, standing up at the outset and admitting wrongdoing is generally not a recommended legal strategy in responding and, therefore, I would simply ask that little weight be placed to how Mr. Xanthoudakis and Mr. Smith have responded to this proceeding.
>
> (Public Hearing Transcript, April 20, 2010 at page 61, lines 13 to 23.)

He also noted that Mr. Xanthoudakis expressed sorrow for investors' losses in a letter he wrote to some investors in May 2006.

B. Mr. Kefalas

[45] Mr. Kefalas made oral submissions regarding mitigating factors for any sanctions ordered against him.

[46] Although he was registered as the Ultimate Responsible Person and Compliance Officer for NAM, Mr. Kefalas takes the position that he was never more than a figurehead, and stated at the Sanctions and Costs Hearing that he never believed he actually held those roles. Rather, he submits that Karine Simoes held the dual role of in-house counsel and head of compliance for NAM. He claims his submissions in this respect are supported by evidence heard at the hearing on the merits from witnesses who were employed in the Norshield Investment Structure and testified that issues related to compliance were directed to Ms. Simoes.

[47] Mr. Kefalas admits that he is culpable for signing documents that he did not read, but he claims he did this because he trusted that other responsible individuals were performing their jobs up to appropriate standards. He submits that he never deliberately acted against the public interest.

[48] Mr. Kefalas submits that a three-year ban on trading and acquiring securities and acting as a director or an officer of an issuer is too harsh given his more limited role in the investment structure.

[49] Regardless of how long he is banned from participating in the industry, he claims his professional reputation has been irreparably tarnished. He has had significant difficulty obtaining employment since this matter began, and has not been employed in the industry since early 2008. Efforts to start a business with a former colleague have also come to naught.

[50] He submits that he represents no threat to the public and that he has shown the Commission respect and has fully cooperated throughout the entire process.

V. ANALYSIS

A. Can an administrative penalty be imposed for breaches of subsections 2.1(1) and (2) of OSC Rule 31-505?

1. Staff's Submissions

[51] Staff submit that section 2.1 of OSC Rule 31-505 forms a part of Ontario securities law and therefore, administrative penalties may be imposed when it is breached.

[52] Staff refer us to *Rowan*, where the Commission imposed administrative penalties for a breach of OSC Rule 31-505, and submit that this decision is authoritative on the issue of whether OSC Rule 31-505 forms part of Ontario securities law.

[53] Staff further submit that section 2.1 of OSC Rule 31-505 clearly sets out, in a discernable and concrete manner, the obligation of registrants in dealing with their clients, a cornerstone of securities regulation and an obligation which registrants should expect to be subject to sanctions for non-compliance.

[54] Staff submit that the context of OSC Rule 31-505 supports the presumption that it forms part of the regulations and therefore part of Ontario securities law. They submit that there is nothing in its context to indicate otherwise, and the Commission may make an order requiring Mr. Xanthoudakis and Mr. Smith to pay an administrative penalty pursuant to subsection 127(1)9.

2. Mr. Xanthoudakis's and Mr. Smith's Submissions

[55] Mr. Xanthoudakis and Mr. Smith submit that subsection 127(1)9, which permits the Commission to order administrative penalties, should be applied narrowly. They submit that the imposition of sanctions under subsection 127(1)9 only invokes the Commission's public interest power to the extent that, if an articulated breach of Ontario securities law is found, the Commission must make an additional determination that it would be in the public interest to impose an administrative penalty.

[56] In response to Staff's submissions, they submit that the decision in *Rowan* does not interpret the meaning of "regulations" in the definition of "Ontario securities law" for the purposes of subsection 127(1)9 of the Act, and that it does not identify which instrument each respondent was found to have breached in order to support the orders for administrative penalties. Mr. Xanthoudakis and Mr. Smith also note that this decision is currently on appeal to the Divisional Court.

[57] Mr. Xanthoudakis and Mr. Smith submit that OSC Rule 31-505, and particularly Part 2 of that rule, which contains subsections 2.1(1) and (2), should not be considered part of Ontario securities law for the purposes of subsection 127(1)9. They claim that Part 2 does not disclose any specific obligations or provide any meaningful context to the rule. Rather, they submit that subsections 2.1(1) and (2) recite a general principle, which is akin to a statement of the public interest, and which was intended to inform the interpretation of the more specific conditions of registration for a dealer or adviser outlined in Part 1 of OSC Rule 31-505. They suggest that a finding of a breach of section 2.1 of OSC Rule 31-505 would be akin to a finding of conduct contrary to the public interest without a specific breach of the Act or other provision of Ontario securities law, which would not be sufficient to impose an administrative penalty.

[58] They submit that at least Part 2 of OSC Rule 31-505 is likely a rule which "the context" indicates is not a substantive provision of Ontario securities law. They submit that a breach of this rule, entitled "Conditions of Registration", should result in consequences for the registration status of the respondent, rather than constitute a standard of Ontario securities law which could result in a fine.

3. Analysis and Conclusion

[59] Administrative penalties may only be ordered in circumstances where there has been a breach of Ontario securities law, as set out in clause 9 of subsection 127(1) of the Act:

> 127. (1) **Orders in the public interest** – The Commission may make one or more of the following orders if in its opinion it is in the public interest to make the order or orders:
>
> …
>
> 9. If a person or company has not complied with Ontario securities law, an order requiring the person or company to pay an administrative penalty of not more than $1 million for each failure to comply.

[60] Cases where there has been a breach of Ontario securities law can be distinguished from cases where findings have been made in the public interest without a particular breach of Ontario securities law. The administrative penalty sanction is meant to apply to the former cases, where a breach of Ontario securities law has been found. This is discussed in the Final Report of the Five Year Review Committee, which recommended that administrative penalties be added to the Act:

> As is the case for securities regulators in the other Canadian jurisdictions referred to above, we recommended that the Commission's ability to impose an administrative fine should be exercisable only where there has been a contravention of Ontario securities law and it is in the public interest to impose such a fine. We are aware that there are other remedies available to the Commission which do not require there to have been a contravention of securities legislation but rather, simply a finding that the conduct is contrary to the public interest (for example, the revocation of registration). However, we recognize that the imposition of an administrative fine may be viewed as a different kind of a remedy from the others currently listed in section 127 of the Act and that principles of natural justice are better served by tying the imposition of an administrative fine to a demonstrated breach of Ontario securities law. The Government of Ontario adopted this recommendation in the 2002 Amendments.
>
> (Ontario, Ministry of Finance, *Five Year Review Committee Final Report – Reviewing the Securities Act* (Ontario), (Toronto: Queen's Printer for Ontario, 2003) at 215.)

[61] Subsection 1(1) of the Act contains the following definitions regarding what is included in "Ontario securities law":

> "Ontario securities law" means,
>
> (a) this Act,
>
> (b) the regulations, and
>
> (c) in respect of a person or company, a decision of the Commission or a Director to which the person or company is subject;

> "regulations" means the regulations made under this Act and, unless the context otherwise indicates, includes the rules;
>
> "rules" means,
>
> (a) the rules made under section 143, and
>
> (b) orders, rulings and policies listed in the Schedule;

[62] Under section 143, the Commission has the authority to make rules relating to the registration and conduct of registrants. Specifically, clause 2 of subsection 143(1) (as it read at the relevant time) provides the Commission with the following rule-making powers:

> 143. (1) **Rules** – The Commission may make rules in respect of the following matters:
>
> …
>
> 2. Prescribing categories or sub-categories of registrants, classifying registrants into categories or sub-categories and prescribing the conditions of registration or other requirements for registrants or any category or sub-category, including,
>
> i. standards of practice and business conduct of registrants in dealing with their customers and clients and prospective customers and clients,
>
> ii. requirements that are advisable for the prevention or regulation of conflicts of interest, …[1]

[63] Unless the context otherwise indicates, rules made by the Commission pursuant to section 143 of the Act are included in the definition of "regulations" and form part of "Ontario securities law".

[64] The issue of the Commission's policy and rule-making power was addressed by the Court of Appeal in *Ainsley Financial Corp. v. Ontario Securities Commission* (1994), 21 O.R. (3d) 104 (C.A.) ("*Ainsley*"). The Court of Appeal distinguished non-mandatory guidelines from mandatory pronouncements having the same effect as a statutory instrument, and noted that at that time, the Commission did not have the statutory authority to issue a mandatory provision with the effect of law (Ainsley, supra at paras. 15-16).

[65] Following *Ainsley*, section 143 was enacted, providing the Commission with the authority to make mandatory rules relating to enumerated heads of power. The *Final Report of the Ontario Task Force on Securities Regulation* (1994), 17 O.S.C.B. 3208 (the "Daniels Report"), recommended that the Ontario Legislature confer this express rule-making power on the Commission and stated that "[such] a power would permit the Commission to adopt rules having the force and effect of law" (Daniels Report, *supra* at 3211).

[66] OSC Rule 31-505 is a rule made under section 143. It prescribes requirements regarding standards of practice and business conduct for registrants when dealing with clients. Subsections 2.1(1) and (2) of OSC Rule 31-505 state:

> 2.1 **General Duties** – (1) A registered dealer or adviser shall deal fairly, honestly and in good faith with its clients.
>
> (2) A registered salesperson, officer or partner of a registered dealer or a registered officer or partner of a registered advisor shall deal fairly, honestly and in good faith with his or her clients.

[67] The question to be determined is whether subsection 2.1(1) and subsection 2.1(2) of OSC Rule 31-505 fall under the definition of "regulations", and are therefore part of Ontario securities law.

[68] Subsections 2.1(1) and (2) of OSC Rule 31-505 dictate that particular registrants shall deal fairly, honestly and in good faith with their clients. This is a mandatory pronouncement requiring specific behaviour.

[69] Staff submit that section 2.1 of OSC Rule 31-505 is consistent with the wording of other provisions of the Act prescribing standards of practice and business conduct of registrants and other market participants. They refer specifically to subsection 32(1) and section 116 of the Act. However, we note that subsection 32(1) was not law until 2009. The version of section 116 in force at the time of the events at issue contains an obligation for mutual fund managers to deal honestly, in good

[1] As part of amendments to the Act made in September 2009, the wording of clause 2 of subsection 143(1), which provides specific rule-making powers to the Commission, was changed.

faith and in the best interests of the mutual fund. Although both sections of the Act may be consistent with subsections 2.1(1) and (2) of OSC Rule 31-505, we do not find it necessary to consider the purposes of subsection 32(1) and section 116 of the Act when determining whether OSC Rule 31-505 forms part of Ontario securities law which the Respondents were required to comply with during the period in question.

[70] We find that there is nothing in the context of OSC Rule 31-505, including subsections 2.1(1) and (2), to indicate that it was not meant to be included in the definition of "regulations" under the Act. Subsections 2.1(1) and (2) are not policy statements, which set out general statements of principle or practice. Rather, subsections 2.1(1) and (2) of OSC Rule 31-505 prescribe mandatory requirements for registrants to deal fairly, honestly and in good faith with clients.

[71] Subsections 2.1(1) and (2) of OSC Rule 31-505 are therefore "regulations", as defined in the Act, and form part of Ontario securities law. As such, it is open to the Commission to impose administrative penalties for their breach, if they are found to be in the public interest.

B. Overview of the Law on Sanctions

[72] The Commission does not impose sanctions to punish past conduct. Rather, we must act in accordance with our dual mandate of (i) investor protection, and (ii) fostering fair and efficient capital markets and confidence in capital markets. Sanctions must therefore be for the purpose of preventing and restraining future conduct that may be harmful to investors or the capital markets. The Commission's role in ordering sanctions is outlined in *Re Mithras Management Ltd.*:

> … the role of this Commission is to protect the public interest by removing from the capital markets – wholly or partially, permanently or temporarily, as the circumstances may warrant – those whose conduct in the past leads us to conclude that their conduct in the future may well be detrimental to the integrity of those capital markets. We are not here to punish past conduct; that is the role of the courts, particularly under section 118 [now 122] of the Act. We are here to restrain, as best we can, future conduct that is likely to be prejudicial to the public interest in having capital markets that are both fair and efficient. In so doing we must, of necessity, look to past conduct as a guide to what we believe a person's future conduct might reasonably be expected to be; we are not prescient, after all.
>
> (*Re Mithras Management Ltd.* (1990), 13 O.S.C.B. 1600 at pp. 1610-1611)

[73] The Commission should consider relevant factors when determining whether sanctions are appropriate, including:

(a) the seriousness of the conduct and the breaches of the Act;

(b) the respondent's experience in the marketplace;

(c) the level of the respondent's activity in the marketplace;

(d) whether or not there has been any recognition of the seriousness of the improprieties;

(e) whether or not the sanctions imposed may serve to deter not only those involved in the matter being considered, but any like-minded people, from engaging in similar abuses of the capital markets;

(f) the size of any profit or loss avoided from the illegal conduct;

(g) the size of any financial sanction or voluntary payment;

(h) the effect any sanction may have on the livelihood of a respondent;

(i) the restraint any sanction may have on the ability of a respondent to participate without check in the capital markets;

(j) the reputation and prestige of the respondent;

(k) the remorse of the respondent;

(l) the shame, or financial pain, that any sanction would reasonably cause to the respondent; and

(m) any mitigating factors.

(*Re M.C.J.C. Holdings Inc.* (2002), 25 O.S.C.B. 1133 at para. 26 and *Re Belteco Holdings Inc.* (1998), 21 O.S.C.B. 7743 at paras. 25-26.)

[74] As noted in (e), above, we should consider both the specific and general deterrent effects of a sanctions order. Sanctions should not only deter the particular respondents from engaging in similar acts in the future, but should have a more general deterrent effect on other market participants. As stated by the Supreme Court of Canada in *Cartaway*, *supra* at para. 62:

> It may well be that the regulation of market behaviour only works effectively when securities commissions impose ex post sanctions that deter forward-looking market participants from engaging in similar wrongdoing. That is a matter that falls squarely within the expertise of securities commissions, which have a special responsibility in protecting the public from being defrauded and preserving confidence in our capital markets.

[75] Specifically, if it is in the public interest, we may order sanctions restricting or banning respondents from participating in the Ontario capital markets. The Supreme Court of Canada has stated that:

> … the purpose of an order under s. 127 is to restrain future conduct that is likely to be prejudicial to the public interest in fair and efficient capital markets. The role of the OSC under s. 127 is to protect the public interest by removing from the capital markets those whose past conduct is so abusive as to warrant apprehension of future conduct detrimental to the integrity of the capital markets.
>
> (*Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario (Securities Commission)*, [2001] 2 S.C.R. 132 at para. 43.)

[76] Ultimately, any sanctions imposed must be proportionate to the circumstances and conduct of each particular Respondent (*Re M.C.J.C. Holdings Inc.* (2002), 25 O.S.C.B. 1133 at para. 10 and *Re Rowan*, *supra* at para. 103).

C. What are the appropriate sanctions against the Respondents?

1. Factors Applicable to NAM, Olympus United, Mr. Xanthoudakis and Mr. Smith

[77] In determining the appropriate sanctions for each of these Respondents, we consider the following factors to be particularly relevant to this matter.

The Seriousness of the Allegations as Proved

[78] The Merits Decision panel found that NAM, Olympus United Group, Mr. Xanthoudakis and Mr. Smith failed to deal fairly, honestly and in good faith with investors in a number of respects:

(a) Mr. Xanthoudakis and Mr. Smith knew that the net asset values ("NAVs") for funds in the Norshield Investment Structure were artificially inflated in 2004 and 2005;

(b) they were involved in various paper transactions which served to inflate the NAVs in 2004 and 2005;

(c) NAM, Olympus United Group, Mr. Xanthoudakis and Mr. Smith also engaged in transactions that essentially preferred the redemption requests of some investors over others; and

(d) they were generally unable to account for investors' funds.

(Merits Decision at paras. 209-210 and 231-237.)

[79] The duty to deal fairly, honestly and in good faith goes to the heart of what securities regulation is about and a breach of this obligation is especially serious. Mr. Xanthoudakis and Mr. Smith were the directing minds of the Norshield Investment Structure which marketed to investors an investment in a portfolio of hedge fund managers, when in fact they knew the funds were substantially being invested indirectly in corporate securities. The Merits Decision panel found that they continued to sell funds when, among other things, the NAVs were misstated. These Respondents' conduct seriously undermines the public's confidence in the capital markets and allowed a situation which led to the significant investment losses of numerous investors.

[80] Mr. Xanthoudakis and Mr. Smith submit that OSC Rule 31-505 is not intended to regulate investment funds, since it is directed at the duties of registered securities dealers in relation to dealings with their clients. However, we note that Mr. Xanthoudakis's and Mr. Smith's registrations under the Act were as registered officers of NAM, a registered adviser in the categories of extra-provincial adviser and investment counsel and portfolio manager, and as registered officers of Olympus

United Group, a registered dealer in the categories of mutual fund dealer and limited market dealer. OSC Rule 31-505 clearly has direct application to Mr. Xanthoudakis and Mr. Smith, as reflected in the findings in the Merits Decision.

[81] The Merits Decision panel found that these Respondents should have been able to provide more information about the activities and assets of Mosaic Composite and the Channel Funds. These companies were found to be so fundamental to the investment structure that explanations and documentation should have been available. The Merits Decision panel found that NAM and Olympus United Group did not provide, and therefore presumably did not have, up-to-date records of subscriptions and redemptions, sufficient supporting documents for the NAV calculations, documentation regarding in-kind investments, documents regarding unexplained payments in excess of $150 million from two entities in the Norshield Investment Structure, copies of agreements regarding the investment structure and other relevant documents.

[82] The seriousness of a breach of securities law depends on the context and the consequences of that breach. An inability to properly account for funds undermines confidence in the market. This was not merely a technical breach; the Merits Decision panel found there was a fundamental failure to account for funds on a widespread basis. Proper record-keeping is fundamental to discharging one's obligations when accepting money from others. Without adequate records, accountability for management of funds cannot be achieved. We view breaches of this nature as being very serious.

[83] The Merits Decision panel found that Mr. Xanthoudakis and Mr. Smith materially misled Staff during their investigation by failing to inform them of the involvement of the Channel Funds in the investment structure. Misleading Staff in their investigation is a serious breach of the Act.

The Respondents' Experience in the Marketplace

[84] All the Respondents were registered with the Commission. In a recent decision, the Commission found that:

> As a registrant, the President of a registered broker and investment dealer, and a director and member of an audit committee of a reporting issuer, Rowan was expected to have a higher level of awareness of the insider reporting regime and its importance to the capital markets. Rowan's breaches of Ontario securities law are therefore significantly more serious than those previously considered.
>
> (*Rowan*, *supra* at para. 145.)

[85] Although the allegations in *Rowan* are different than in this case, the Commission's finding is applicable. The Respondents were expected to be aware of their duties as registrants and of record keeping requirements.

[86] The Supreme Court addressed this factor in an appeal of a British Columbia Securities Commission decision where the respondents were registrants in that province. The court found that: "They took unfair advantage of their positions as registrants, and engaged in conduct that seriously undermined the public confidence in the fairness of the capital markets." (*Cartaway*, *supra* at para. 18).

[87] Mr. Xanthoudakis and Mr. Smith failed drastically to meet the standards of a registrant entrusted to manage investors' funds, which is clearly evident from the findings in the Merits Decision.

[88] Given their experience, the Respondents were or should have been more aware of their duties.

Deterrence

[89] Any sanctions imposed should be sufficient to effectively deter the Respondents and like-minded people from engaging in similar abuses of the Ontario capital markets.

[90] In *Limelight*, *supra* at para. 67, the Commission described the deterrent purpose of administrative penalties:

> The purpose of an administrative penalty is to deter the particular respondents from engaging in the same or similar conduct in the future and to send a clear deterrent message to other market participants that the conduct in question will not be tolerated in Ontario capital markets.

[91] Sanctions in this case should not be so minimal as to be a minor cost of doing business. They should be sufficient to send the message that breaching the duty to deal fairly, honestly and in good faith with clients, failing to keep and maintain proper books and records, and misleading Staff will not be tolerated in the Ontario capital markets.

Impact on Investors and the Market as a Whole

[92] We heard evidence from four investors on how they were impacted by the failure of the Norshield Investment Structure. Our role is not to punish the Respondents for their conduct, nor to right any wrongs suffered by investors by providing them with restitution. However, their testimony can be considered in determining the seriousness of the Respondents' breaches. As well, the impact of these breaches on investors is a factor to consider when assessing which sanctions are appropriate.

[93] We accept the evidence of the investor witnesses that, as a result of their investments in Olympus United Funds, they suffered financial losses that will impact their lifestyles and that their confidence in the capital markets has been undermined.

The Respondents' Level of Participation in the Marketplace

[94] Close to 2,000 retail investors lost most of the $159 million invested in the Norshield Investment Structure. Institutional investors who invested at other levels of the structure were also impacted. Losses such as these by a large number of investors are bound to have a significant impact on confidence in the marketplace.

Other Mitigating Factors

[95] We accept that NAM was in "crisis mode" at the time of Staff's on-site investigation and that Mr. Xanthoudakis believed that there would be a follow-up interview with Staff. We have taken these circumstances into account when determining the appropriate sanctions.

2. Factors Applicable to Mr. Kefalas

The Seriousness of the Allegations, as Proved

[96] The Merits Decision panel concluded that Mr. Kefalas accepted certain responsibilities when he registered with the Commission as a Compliance Officer and Ultimate Responsible person. Mr. Kefalas's failure to fulfill his responsibilities constituted conduct that was contrary to the public interest.

[97] These positions exist to help ensure that investors are treated properly. It is not acceptable to say documents were signed without reading them or being aware of their implications. A registrant cannot assume the title of Compliance Officer or Ultimate Responsible Person and merely trust that others will do the work required pursuant to that registration.

Mr. Kefalas's Experience in the Marketplace

[98] Mr. Kefalas was registered with the Commission with regard to his work with NAM since May 2000. Regardless of how active a role Mr. Kefalas actually had in overseeing NAM's compliance, he was registered as the Compliance Officer and Ultimate Responsible Person. Mr. Kefalas should have been aware of his duties as a registrant.

Mitigating Factors

[99] We consider that the impact this proceeding has had on Mr. Kefalas's ability to obtain employment, his lesser role in the Norshield Investment Structure, his belief that he was not actually responsible for monitoring compliance, and his expressed remorse are all mitigating factors. Any sanctions imposed will be determined with consideration given to these circumstances.

3. Prohibitions on Participation in the Capital Markets

[100] Sanctions ordered should protect Ontario investors by restraining the Respondents' future market participation and conduct.

[101] In all the circumstances, we have concluded that it is in the public interest for us to make the following orders:

(a) an order that the registration of each of NAM, Olympus United Group and Mr. Xanthoudakis be terminated;

(b) an order that each of NAM, Olympus United Group, Mr. Xanthoudakis and Mr. Smith be permanently prohibited from becoming registered under the Act;

(c) an order that each of NAM, Olympus United Group, Mr. Xanthoudakis and Mr. Smith be permanently prohibited from trading in securities, except that Mr. Xanthoudakis and Mr. Smith may trade in securities for the account of their registered retirement savings plans and/or registered retirement income funds (as defined in the *Income Tax Act* (Canada)) in which they and/or their spouses have sole legal and beneficial ownership, provided that, as the order applies to each of them as individuals:

(i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund which is a reporting issuer;

(ii) he does not own legally or beneficially (in the aggregate, together with his spouse) more than one percent of the outstanding securities of the class or series of the class in question; and

(iii) he carries out any permitted trading through a registered dealer (which dealer must be given a copy of this order) and through accounts opened in his name only;

(d) an order that exemptions contained in Ontario securities law do not apply to each of NAM, Olympus United Group, Mr. Xanthoudakis and Mr. Smith permanently;

(e) an order reprimanding each of Mr. Xanthoudakis and Mr. Smith;

(f) an order that each of Mr. Xanthoudakis and Mr. Smith resign all positions held as a director or officer of an issuer;

(g) an order that each of Mr. Xanthoudakis and Mr. Smith be prohibited permanently from becoming or acting as a director or officer of any issuer;

(h) an order that Mr. Kefalas be prohibited from becoming registered under the Act for two years;

(i) an order that a term and condition of close supervision be imposed on Mr. Kefalas's registration for a period of two years if he should seek to become registered after the prohibition period referred to above; and

(j) an order that Mr. Kefalas be prohibited from becoming or acting as a director or officer of a registrant for a period of two years.

[102] These sanctions are appropriate and proportionate to the misconduct and entirely consistent with the Commission's duty to impose sanctions that provide general and specific deterrence to market participants.

4. Administrative Penalties

[103] We find that Mr. Xanthoudakis's and Mr. Smith's conduct warrants substantial administrative penalties. Mr. Xanthoudakis and Mr. Smith were involved in activities intended to mislead investors and to favour certain investors. Multiple breaches of the Act, as found in the Merits Decision, will have serious consequences.

[104] We accept Mr. Xanthoudakis's and Mr. Smith's submission that little weight should be placed on how they have responded to this proceeding, including their choice not to testify. They were entitled to defend themselves against the allegations before them, and we do not consider their lack of stated remorse under these circumstances to be a factor to be weighed against them.

[105] A breach of the duty to deal fairly, honestly and in good faith with clients is exceptionally serious and goes to the heart of the protection securities regulation is meant to provide to investors. As we have discussed above, proper record-keeping is a fundamental requirement for the management of funds. We therefore find that severe administrative penalties are warranted for these two breaches of Ontario securities law.

[106] Misleading Staff and failing to state facts that should have been stated in Staff's investigation is also a very serious breach of Ontario securities law, which calls for substantial administrative penalties. However, we take into account the facts that NAM was in crisis mode at the time of Staff's investigation, and that Mr. Xanthoudakis was under the impression he would be interviewed by Staff on another occasion as mitigating factors.

[107] Even considering these mitigating factors, failing to inform Staff of an important component of the investment structure warrants a significant administrative penalty.

[108] Mr. Xanthoudakis and Mr. Smith were found to have breached their duties to deal fairly, honestly and in good faith in multiple respects:

(a) they knew that the NAVs for funds in the Norshield Investment Structure were artificially inflated in 2004 and 2005;

(b) they were involved in various paper transactions, which served to inflate the NAVs in 2005 and 2005;

(c) they engaged in transactions that essentially preferred the redemption requests of some investors over others; and

(d) they were unable to account for investors' funds.

[109] As noted previously, the activities that led to the breaches occurred over a long period of time and investors were consistently and continually treated unfairly. Although some of their unlawful activity commenced prior to April 7, 2003, when the administrative penalty provision came into force, the inappropriate conduct that occurred subsequent to that date was repeated and warrants a significant administrative penalty. The Respondents were involved in numerous transactions, which treated investors unfairly in many ways. Without taking Mr. Xanthoudakis's and Mr. Smith's conduct prior to April 7, 2003 into account, we find that the administrative penalty discussed below for their breaches of their duties to deal fairly, honestly and in good faith is appropriate and necessary to provide an individual and general deterrent in order to protect the integrity of the capital markets and confidence in them.

[110] Their failure to keep and maintain proper records was widespread and, as noted above, went beyond merely a technical breach.

[111] These last two breaches of Ontario securities law by Mr. Xanthoudakis and Mr. Smith demand very high administrative penalties.

[112] There was no finding in the Merits Decision that Mr. Xanthoudakis and Mr. Smith benefitted financially from their improper conduct. However, this does not mitigate the seriousness of the breaches, nor the consequences to numerous investors of their ongoing conduct.

[113] Given the seriousness of these breaches, as discussed above, considering the loss of almost all of the $159 million invested by close to 2,000 retail investors, and to deter future wrongdoing, we conclude that it is in the public interest to order that Mr. Xanthoudakis and Mr. Smith each pay the following administrative penalties for allocation to, or for the benefit of third parties in accordance with subsection 3.4(2)(b) of the Act:

(a) $1,000,000 in respect of their breaches of section 2.1 of Rule 31-505;

(b) $1,000,000 in respect of their breaches of section 19 of the Act and section 113 of Regulation 1015; and

(c) $125,000 for misleading Staff, contrary to subsection 122(1)(a) of the Act.

[114] We find it appropriate to order that the administrative penalties be designated for allocation to and for the benefit of third parties, in accordance with subsection 3.4(2)(b) of the Act. Although Staff suggested that the funds be allocated to the Receiver for distribution to investors at the Sanctions and Costs Hearing, we leave it to the Commission to determine at a future date the question of the allocation of these funds.

VI. COSTS

[115] Staff seek an order that Mr. Xanthoudakis and Mr. Smith pay costs of $295,000 on a joint and several basis. They do not seek an order of costs against Mr. Kefalas, and note that he had less of a role in the matters at issue than Mr. Xanthoudakis and Mr. Smith.

[116] Mr. Xanthoudakis and Mr. Smith did not challenge the reasonableness or appropriateness of the costs requested by Staff.

[117] Section 127.1 of the Act grants the Commission the power to order that a person or company pay the costs related to an investigation and a hearing that are incurred by or on behalf of the Commission if the following criteria are met:

(a) the Commission is satisfied that the person or company has not complied with, or is not complying with, Ontario securities law; or

(b) the Commission considers that the person or company has not acted in the public interest.

[118] Based on the Merits Decision, it is clear that Mr. Xanthoudakis and Mr. Smith both failed to comply with Ontario securities law and acted contrary to the public interest. We must consider whether a costs order is appropriate in the circumstances by addressing additional factors, including:

(a) the importance of early notice of an intention to seek costs;

(b) the seriousness of the allegations and the conduct of the parties;

(c) the presence or absence of abuse of process by any respondent;

(d) the conduct of any respondent as it affects investigative and hearing costs; and

(e) the reasonableness of the costs requested by Staff.

(*Re Ochnik* (2006), 29 O.S.C.B. 5917 at para. 29.)

[119] In *Rowan*, *supra* at paragraph 239, the Commission reduced the costs payable by the respondents, on the basis that only half of the allegations against them were made out. In this case, Staff have factored the fact that two of the six allegations were not made out against the Respondents into their request for costs.

[120] We accept that the amount claimed by Staff represents only a portion of the investigation and hearing costs related to this proceeding, as set out in Staff's bill of costs and written submissions. The $295,000 sought does not represent all the costs incurred by Staff, even after the total amount is scaled down to reflect the fact that two of the allegations brought against the Respondents were dismissed.

[121] We conclude that as a result of their breaches of Ontario securities law and conduct contrary to the public interest, Mr. Xanthoudakis and Mr. Smith shall pay costs of this proceeding in the amount of $295,000, on a joint and several basis.

VII. CONCLUSION

[122] For the reasons discussed above, we conclude that making the sanctions and costs orders described above are in the public interest and are proportionate to the Respondents' respective culpability and conduct in the circumstances. Accordingly, we issue the order issued along with these reasons and decision.

[123] This order reflects the seriousness of the securities law violations that occurred in this matter, and imposes sanctions that will not only deter the Respondents but also like-minded people from engaging in future conduct that violates securities law.

DATED at Toronto this 6th day of August, 2010.

"David L. Knight"

"Margot C. Howard"

Chapter 4

Cease Trading Orders

4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
Avalon Works Corp.	06 Aug 10	18 Aug 10		
ESI Entertainment Systems Inc.	09 Aug 10	20 Aug 10		
Xgen Ventures Inc.	10 Aug 10	23 Aug 10		

4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/ Expire	Date of Issuer Temporary Order

THERE ARE NO ITEMS FOR THIS WEEK.

4.2.2 Outstanding Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Coalcorp Mining Inc.	07 Oct 09	19 Oct 09	19 Oct 09		

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesScource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

REPORTS OF TRADES SUBMITTED ON FORMS 45-106F1 AND 45-501F1

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
03/25/2010	4	ACFAW.COM Inc. - Units	1,000,000.00	13,333,333.00
09/22/2009 to 09/29/2009	3	Advanced Explorations Inc. - Common Shares	730,000.00	5,000,000.00
07/16/2010	4	Agriculture Bank of China Limited - Common Shares	117,820,000.00	274,000,000.00
07/14/2010	1	AndeanGold Ltd. - Common Shares	3,600.00	20,000.00
07/19/2010	5	Annaly Capital Management, Inc. - Common Shares	45,055,191.00	2,434,100.00
05/13/2010	48	Ascot Resources Ltd. - Units	7,500,001.14	NA
07/23/2010	1	Bank of Montreal - Debt	5,186,500.00	1.00
07/23/2010	6	Bending Lake Iron Group Limited - Flow-Through Shares	162,000.00	83,750.00
01/01/2008 to 12/31/2008	3	BGICL Active Canadian Equity Ex-Income Trusts Fund - Units	40,814,294.85	1,831,213.28
01/01/2008 to 12/31/2008	6	BGICL Active Canadian Equity Fund - Units	62,858,525.76	2,662,889.64
01/01/2008 to 12/31/2008	5	BGICL Balanced Fund - Units	160,989,392.67	7,108,962.01
01/01/2008 to 12/31/2008	1	BGICL Canada Market Neutral Fund - Units	123,184,685.00	8,414,310.55
01/01/2008 to 12/31/2008	1	BGICL Core Active Universe Bond Fund - Units	27,070,000.00	1,730,008.67
01/01/2008 to 12/31/2008	2	BGICL Daily Active Canadian Equity Fund - Units	84,637,564.34	4,479,690.17
01/01/2008 to 12/31/2008	3	BGICL Daily Aggressive Balanced Index Fund - Units	12,021,219.00	712,912.06
01/01/2008 to 12/31/2008	3	BGICL Daily Conservative Balanced Index Fund - Units	74,123,204.37	4,981,904.77
01/01/2008 to 12/31/2008	8	BGICL Daily Moderate Balanced Index Fund - Units	61,101,951.72	3,748,377.40
01/01/2008 to 12/31/2008	1	BGICL EAFE Currency Overlay Fund - Units	19,700,000.00	25,900,989.76
01/01/2008 to 12/31/2008	4	BGICL Ex BBB Universe Bond Index Fund - Units	7,728,535.81	538,746.96
01/01/2008 to 12/31/2008	2	BGICL Global Market Selection Fund - Units	9,900,000.00	219,118.89

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
01/01/2008 to 12/31/2008	3	BGICL Hedged MSCI EAFE Equity Index Fund - Units	22,847,604.16	2,675,405.73
01/01/2008 to 12/31/2008	5	BGICL Hedged Pension U.S. Alpha Tilts Fund - Units	39,794,124.26	4,887,179.92
01/01/2008 to 12/31/2008	3	BGICL Hedged Pension U.S. Equity Index Fund - Units	484,256,051.82	49,945,029.42
01/01/2008 to 12/31/2008	1	BGICL Large Cap Active Canadian Equity Fund - Units	131,400,000.00	9,486,378.12
01/01/2008 to 12/31/2008	3	BGICL LDI Money Market Fund - Units	81,100,000.00	8,161,123.23
01/01/2008 to 12/31/2008	1	BGICL Liability Duration 2014-2018 Fund - Units	20,300,000.00	2,001,254.97
01/01/2008 to 12/31/2008	1	BGICL Liability Duration 2024-2028 Fund - Units	19,900,000.00	1,946,441.18
01/01/2008 to 12/31/2008	1	BGICL Liability Duration 2034-2038 Fund - Units	16,300,000.00	1,622,706.42
01/01/2008 to 12/31/2008	4	BGICL LifePath Index 2010 Fund - Units	39,399,791.61	4,263,868.38
01/01/2008 to 12/31/2008	3	BGICL LifePath Index 2015 Fund - Units	54,970,565.06	6,292,209.59
01/01/2008 to 12/31/2008	4	BGICL LifePath Index 2020 Fund - Units	77,864,116.80	8,992,959.59
01/01/2008 to 12/31/2008	3	BGICL LifePath Index 2025 Fund - Units	52,787,870.95	6,446,789.44
01/01/2008 to 12/31/2008	5	BGICL LifePath Index 2030 Fund - Units	56,839,248.55	6,806,163.88
01/01/2008 to 12/31/2008	3	BGICL LifePath Index 2035 Fund - Units	26,125,364.98	3,245,209.35
01/01/2008 to 12/31/2008	5	BGICL LifePath Index 2040 Fund - Units	31,745,062.59	3,889,563.08
01/01/2008 to 12/31/2008	3	BGICL LifePath Index Retirement Fund 1 - Units	18,398,207.78	1,956,055.40
01/01/2008 to 12/31/2008	24	BGICL Long Bond Index Fund - Units	533,109,933.39	29,661,121.67
01/01/2008 to 12/31/2008	5	BGICL MSCI AWIC Ex Canada Index Fund - Units	147,066,096.04	18,217,621.38
01/01/2008 to 12/31/2008	46	BGICL MSCI EAFE Equity Index Fund - Units	444,376,784.58	43,349,235.04
01/01/2008 to 12/31/2008	25	BGICL NonPension U.S. Equity Index Fund - Units	270,404,856.98	37,239,962.28
01/01/2008 to 12/31/2008	13	BGICL Pension U.S. Alpha Tilts Fund - Units	175,178,908.39	23,002,179.79
01/01/2008 to 12/31/2008	33	BGICL Pension U.S. Equity Index Fund - Units	687,071,292.45	81,421,884.78

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
01/01/2008 to 12/31/2008	8	BGICL Real Return Bond Index Fund - Units	44,796,100.00	4,384,771.55
01/01/2008 to 12/31/2008	8	BGICL Short Term Investment Fund - Units	41,963,717.98	2,994,155.20
01/01/2008 to 12/31/2008	1	BGICL Small Cap Active Canadian Equity Fund - Units	20,400,000.00	837,670.42
01/01/2008 to 12/31/2008	50	BGICL S&P/TSX Composite Index Fund - Units	753,759,486.70	24,236,151.44
01/01/2008 to 12/31/2008	6	BGICL S&P/TSX Equity Index Fund - Units	82,716,450.33	1,500,923.43
01/01/2008 to 12/31/2008	53	BGICL Universe Bond Index Fund - Units	385,640,363.56	20,866,457.74
04/14/2010	1	Biomimetic Therapeutics, Inc. - Common Shares	219,130.00	5,000,000.00
07/22/2010	1	BNP Paribas Arbitrage Issuance B.V. - Warrants	488,414.60	50.00
07/16/2010	1	BNP Paribas Arbitrage Issuance B.V. - Warrants	233,013.38	5,000.00
04/15/2010 to 04/30/2010	24	Bontan Corporation Inc. - Units	2,159,780.00	10,675,000.00
07/21/2010	1	Boral Limited - Common Shares	4,706,999.57	1,248,541.00
06/23/2010	7	BridgePoint Financial Services Limited Partnership IV - Units	550,000.00	550,000.00
07/22/2010	16	BTU Capital Corp. - Common Shares	200,000.00	2,000,000.00
03/05/2009	2	Caldera Resources Inc. - Units	85,850.00	113.00
07/23/2010	1	Canadian Horizons First Mortgage Investment Corporation - Preferred Shares	10,000.00	10,000.00
04/15/2010	4	Caspian Energy Inc. - Common Shares	0.00	2,271,178.00
11/11/2009	7	Castle Gold Corporation - Common Shares	3,684,210.00	3,684,210.00
07/16/2010 to 07/26/2010	30	CC&L Private Fund I Limited Partnership - Units	2,190,000.00	219,000.00
07/20/2010	6	Central European Petroleum Ltd. - Units	17,775,000.00	5,925,000.00
10/30/2009	213	CGA Mining Limited - Common Shares	24,998,501.00	14,705,000.00
05/11/2010	75	China Wind Power International Corp. - Common Shares	4,358,500.00	4,150,953.00
03/12/2009	12	Cluff Gold plc - Common Shares	8,114,000.00	20,285,000.00
07/15/2010	5	CommunityLend Holdings Inc. - Units	1,159,696.72	2,070,887.00
07/23/2010	1	Development Notes Limited Partnership - Units	50,000.00	50,000.00
07/27/2010	4	Diadem Resources Ltd. - Units	1,000,000.00	6,250,000.00
06/16/2009	5	Enhanced Oil Resources Inc. - Units	1,947,000.00	4,326,667.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
07/19/2010	1	Esterline Technologies Corporation - Notes	211,800.00	20,000.00
09/15/2009	35	Extract Resources Limited - Special Warrants	37,479,000.00	5,200,000.00
07/21/2010 to 07/27/2010	3	First Leaside Morgtage Fund - Units	66,352.00	66,352.00
07/23/2010	1	First Leaside Visions II Limited Partnership - Units	50,000.00	50,000.00
07/20/2010	20	Flemish Gold Corp. - Common Shares	6,555,492.75	8,740,657.00
07/13/2009	3	Fletcher Nickel Inc. - Units	84,000.00	1,400,000.00
07/20/2010	14	Forbes & Manhattan (Coal) Inc. - Special Warrants	38,842,630.40	13,872,368.00
07/20/2010	12	Foundation Group Capital Trust - Units	416,630.00	41,663.00
06/02/2010 to 06/07/2010	29	F.D.G. Mining Inc. - Common Shares	840,000.00	26,800,000.00
03/06/2009 to 03/11/2009	14	Garson Gold Corp. - Common Shares	442,050.30	8,841,006.00
06/29/2009 to 07/03/2009	11	Garson Gold Corp. - Common Shares	252,420.00	3,606,000.00
09/11/2009 to 09/17/2009	11	Garson Gold Corp. - Common Shares	2,070,000.00	40,850,000.00
07/21/2010	1	Genco Shipping & Trading Limited - Notes	521,350.00	500.00
04/22/2010	19	Golden Predator Royalty & Development Corp. - Common Shares	5,940,000.00	9,900,000.00
09/21/2009	5	Goldeye Explorations Limited - Flow-Through Units	400,000.00	6,666,665.00
10/07/2009	27	Goldeye Explorations Limited - Flow-Through Units	474,000.00	9,333,335.00
11/30/2009	1	Goldeye Explorations Limited - Flow-Through Units	160,000.00	2,000,000.00
07/19/2010	5	GridIron Software Inc. - Preferred Shares	3,167,701.07	3,000,001.00
10/01/2009	15	GT Canada Capital Corporation - Common Shares	0.00	1,255,668.00
07/26/2010	4	Happy Creek Minerals Ltd. - Units	750,000.00	2,307,692.00
10/27/2009 to 11/06/2009	21	Hawthorne Gold Corp. - Units	561,000.00	1,402,500.00
07/21/2010	3	Horizon Holdings Inc. - Debentures	40,000,000.00	3.00
07/26/2010	4	Hudson River Minerals Ltd. - Units	81,000.00	540,000.00
08/19/2009	15	Hy Lake Gold Inc. - Flow-Through Shares	310,000.00	3,100,000.00
07/28/2010	1	inVentiv Health, Inc. - Notes	103,570.00	100.00
09/23/2009	1	Katanga Mining Limited - Common Shares	2,230,560.00	3,600,000.00
06/22/2010	85	KingSett Canadian Real Estate Income Fund LP - Units	43,236,683.98	43,236.68
07/21/2010	6	Kneebone Incorporated - Common Shares	458,244.00	290,029.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
09/02/2009	3	Kokomo Enterprises Inc. - Units	7,650.00	102,000.00
11/25/2009	32	KWG Resources Inc. - Units	3,086,845.00	47,489,920.00
03/17/2010	7	Lake Shore Gold Corp. - Common Shares	3,049,490.00	1,058,851.00
07/16/2010	1	Lord Lansdowne Holdings Inc. - Common Shares	300,001.20	1.00
11/06/2009	1	Marret IGB Trust - Trust Units	16,791,000.00	1,394,867.79
11/06/2009	9	Mazorro Resources Inc. - Units	300,004.73	4,000,063.00
07/17/2010	22	McGill University Health Centre - Debentures	266,000,000.00	N/A
11/04/2009	28	Merc International Minerals Inc. - Common Shares	3,134,118.64	7,288,648.00
04/15/2009	2	Metals Creek Resources Corp. - Units	200,000.00	2,500,000.00
09/01/2009 to 09/02/2009	21	Mint Technology Corp. - Units	2,135,375.00	15,875,000.00
07/22/2010	5	Mizuho Financial Group, Inc. - Common Shares	36,607,900.00	23,618,000.00
07/20/2010	23	National Australia Bank Limited - Notes	400,000,000.00	400,000.00
07/23/2010	3	North American Nickel Inc. - Common Shares	429,000.00	7,150,000.00
07/23/2010	3	North American Nickel Inc. - Units	9,000.00	150,000.00
07/15/2010	21	North Country Gold Corp. - Common Shares	1,688,000.00	N/A
03/12/2010 to 03/25/2010	54	Norvista Resources Corporation - Common Shares	5,840,000.00	11,680,000.00
10/08/2009	92	Noveko International Inc. - Units	11,194,700.00	5,301,000.00
10/27/2009	80	Noveko International Inc. - Units	2,079,000.00	5,301,000.00
03/09/2009	1	Nuinsco Resources Limited - Common Shares	21,500.00	100,000.00
06/19/2009	3	Nuinsco Resources Limited - Flow-Through Shares	35,400.00	590,000.00
07/23/2010	1	N.V. Bank Nederlandse Gemeenten - Notes	200,000,000.00	2,000.00
08/31/2009	1	OccuLogix, Inc. - Notes	217,580.00	1.00
03/31/2010	1	Olympus Pacific Minerals Inc. - Common Shares	285,511.00	951,703.00
07/27/2010	4	Open Access Limited - Units	350,000.00	14.00
08/25/2009	1	Orbus Pharma Inc. - Warrants	0.00	2,500,000.00
07/27/2010	7	Paget Minerals Corp. - Flow-Through Units	1,000,000.00	4,545,454.00
06/29/2010	20	Passport Potash Inc. - Units	248,023.80	4,960,476.00
07/28/2010	1	Pebblebrook Hotel Trust - Common Shares	440,250.00	17,000,000.00
03/25/2009	4	Pioneering Technology Corp. - Common Shares	227,500.00	4,550,000.00
07/26/2010	6	Plasco Energy Group Inc. - Preferred Shares	21,000,000.00	10,824,740.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
04/12/2010	1	Platinex Inc. - Common Shares	6,250.00	50,000.00
08/27/2009	1	Riverstone Resources Inc. - Warrants	0.00	10,400.00
04/17/2009	2	RJK Explorations Ltd. - Units	200,000.00	4,000,000.00
03/18/2009	1	Roxmark Mines Limited - Common Shares	149,500.00	1,150,000.00
05/31/2010	9	Royal Bank of Canada - Notes	1,900,000.00	1,900.00
04/24/2009	3	Rx Exploration Inc. - Units	245,000.00	1,225,000.00
06/30/2009	12	Rx Exploration Inc. - Units	651,000.00	3,255,000.00
06/25/2009	30	Rx Exploration Inc. - Units	1,028,700.00	5,118,500.00
02/19/2010	14	Rx Exploration Inc. - Units	902,998.20	3,009,994.00
11/06/2009	16	Rx Exploration Inc. - Units	251,000.00	1,255,000.00
10/29/2009	60	Rx Exploration Inc. - Units	1,500,800.00	5,027,000.00
07/21/2010	3	Sage Gold Inc. - Units	222,600.00	1,011,818.00
07/23/2010	7	Selwyn Resources Ltd. - Common Shares	650,000.00	3,250,000.00
07/08/2010 to 07/14/2010	3	Shaelynn Capital Inc. - Preferred Shares	19,400.00	19,400.00
07/23/2010	6	Stellar Pacific Ventures Inc. - Units	300,000.00	6,000,000.00
10/06/2009	5	Takara Resources Inc. - Common Shares	86,250.00	1,625,000.00
12/02/2009	1	Temex Resource Corp. - Common Shares	500,000.00	1,666,667.00
07/29/2010	1	Tenneco Inc. - Notes	1,037,000.00	1,000.00
07/15/2010	1	Terrex Eenrgy Inc. - Common Shares	2,806,437.42	15,169,932.00
06/14/2010 to 06/22/2010	113	Terrex Energy Inc. - Units	7,251,231.03	37,933,646.00
07/27/2010	3	Texas Industries, Inc. - Notes	11,703,410.00	113,000.00
07/29/2010	4	Timelycash Inc. - Notes	700,000.00	4.00
01/06/2009	1	Tricor Automotive Group Inc. - Common Shares	132,000.00	100.00
01/06/2009	2	Tricor Co. Ltd. - Common Shares	75,000.00	59,000.00
11/09/2009	1	Trueclaim Exploration Inc. - Common Shares	12,000.00	50,000.00
06/23/2009	7	United Reef Limited - Units	115,980.00	5,799,000.00
11/13/2009	1	Volta Resources Inc. - Common Shares	3,300,000.00	20,000,000.00
10/21/2009	48	Volta Resources Inc. - Receipts	8,314,044.75	25,194,075.00
07/16/2010	27	Walton Southern U.S. Land Investment Corporation - Common Shares	911,340.00	91,134.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
07/23/2010 to 07/27/2010	2	Wimberly Fund - Units	10,176.00	10,176.00
07/02/2010	57	Wolverine Exploration Inc. - Common Shares	478,500.00	15,950,000.00
07/21/2010	3	Wynn Las Vagas LLC/Wynn Las Vegas Capital Corp. - Notes	21,375,350.00	20,500.00
11/25/2009	39	Xebec Adsorption Inc. - Units	6,439,050.00	8,585,400.00

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Beanstalk Capital Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary CPC Prospectus dated August 6, 2010
NP 11-202 Receipt dated August 6, 2010
Offering Price and Description:
$250,000.00 - 2,500,000 common shares Price: $0.10 per common share
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Promoter(s):
-
Project #1615499

Issuer Name:
Cequence Energy Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated August 4, 2010
NP 11-202 Receipt dated August 4, 2010
Offering Price and Description:
$38,944,500.00 - 18,545,000 Subscription Receipts each representing the right to receive one Common Share Price: $2.10 per Subscription Receipt
Underwriter(s) or Distributor(s):
FirstEnergy Capital Corp.
Peters & Co. Limited
Cormark Securities Inc.
Mackie Research Capital Corporation
Macquarie Capital Markets Canada Ltd.
National Bank Financial Inc.
Promoter(s):
-
Project #1614174

Issuer Name:
Gazit America Inc.
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Short Form Prospectus dated August 3, 2010
NP 11-202 Receipt dated August 4, 2010
Offering Price and Description:
12,847,876 RIGHTS TO SUBSCRIBE FOR UP TO 2,569,575 UNITS AT A PRICE OF $* PER UNIT (EACH UNIT CONSISTING OF ONE COMMON SHARE AND ONE WARRANT)
Underwriter(s) or Distributor(s):
-
Promoter(s):
First Capital Realty Inc.
Project #1592869

Issuer Name:
Hosted Data Transaction Solutions Inc.
Type and Date:
Preliminary Short Form Prospectus dated August 4, 2010
Receipted on August 5, 2010
Offering Price and Description:
$4,973,891.00 - 11,053,091 Units (Each Unit consisting of One Common Share and
one-half of a common share purchase warrant) and
552,665 Agents' Compensation Options
Underwriter(s) or Distributor(s):
D&D Securities Inc.
Promoter(s):
-
Project #1614127

Issuer Name:
Lions Bay Capital Inc.
Principal Regulator - British Columbia
Type and Date:
Amended and Restated Preliminary CPC Prospectus dated August 9, 2010
NP 11-202 Receipt dated August 10, 2010
Offering Price and Description:
$200,000.00 - 1,000,000 Common Shares PRICE: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Promoter(s):
Richard Douglas Wilson
Project #1604933

Issuer Name:
Metron Capital Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary CPC Prospectus dated July 30, 2010
NP 11-202 Receipt dated August 4, 2010
Offering Price and Description:
$500,000.00 - 5,000,000 Common Shares Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Global Securities Corporation
Promoter(s):
Robert Helina
Project #1613632

Issuer Name:
Oilsands Quest Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary MJDS Prospectus dated August 9, 2010
NP 11-202 Receipt dated August 9, 2010
Offering Price and Description:
COMMON STOCK
WARRANTS
UNITS
SUBSCRIPTION RECEIPTS
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1615924

Issuer Name:
Oromin Explorations Ltd.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated August 4, 2010
NP 11-202 Receipt dated August 4, 2010
Offering Price and Description:
$15,000,000.00 - 18,750,000 Common Shares Price: $0.80 per Share
Underwriter(s) or Distributor(s):
Cormark Securities Inc.
RBC Dominion Securities Inc.
Mackie Research Capital Corporation
Toll Cross Securities Inc.
Promoter(s):
-
Project #1613990

Issuer Name:
Ravenstar Ventures Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary CPC Prospectus dated August 10, 2010
NP 11-202 Receipt dated August 10, 2010
Offering Price and Description:
$250,000.00 - 2,500,000 OFFERED SHARES Price: $0.10 per Offered Share
Underwriter(s) or Distributor(s):
PI Financial Corp.
Promoter(s):
Bruno Gasbarro
Project #1616542

Issuer Name:
Resaas Services Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated August 6, 2010
NP 11-202 Receipt dated August 9, 2010
Offering Price and Description:
$800,000.00 to 1,200,000 - 3,200,000 - 4,800,000 Units Price: $.25
Underwriter(s) or Distributor(s):
Bolder Investment Partners, Ltd.
Promoter(s):
Cory Brandolini
Cameron Shippit
Project #1615640

Issuer Name:
Semcan Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated August 5, 2010
NP 11-202 Receipt dated August 6, 2010
Offering Price and Description:
Up to $2,700,000.00 - * Common Shares (Post-Consolidation) Price: $ per Common Share (Post-Consolidation)
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Promoter(s):
-
Project #1615137

Issuer Name:
SIERRA MADRE DEVELOPMENTS INC.
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated August 5, 2010
NP 11-202 Receipt dated August 10, 2010
Offering Price and Description:
$750,000.00 - 5,000,000 Shares at $0.15 per Share
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
Promoter(s):
CARL VON EINSIEDEL
Project #1616548

Issuer Name:
Victoria Gold Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated August 5, 2010
NP 11-202 Receipt dated August 5, 2010
Offering Price and Description:
$25,025,000.00 - 35,750,000 Common Shares Price: $0.70 per Common Share
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Cormark Securities Inc.
Wellington West Capital Markets Inc.
NCP Northland Capital Partners Inc.
Paradigm Capital Inc.
Raymond James Ltd.
RBC Dominion Securities Inc.
Scotia Capital Inc.
Promoter(s):
-
Project #1614698

Issuer Name:
Andean Resources Limited
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated August 4, 2010
NP 11-202 Receipt dated August 4, 2010
Offering Price and Description:
Cdn$234,500,000.00 - 70,000,000 Common Shares
Cdn$3.35 per Common Share
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Paradigm Capital Inc.
UBS Securities Canada Inc.
Dundee Securities Corporation
TD Securities Inc.
Haywood Securities Inc.
Promoter(s):
-
Project #1610240

Issuer Name:
Series A, F and I Shares of:
Ark StoneCastle Stable Growth Class
Ark StoneCastle Stable Income Class
(A class of shares of Ark Mutual Funds Ltd.)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated August 4, 2010
NP 11-202 Receipt dated August 9, 2010
Offering Price and Description:
Series A, F and I Shares @ net asset value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Redwood Asset Management Inc.
Project #1605173

Issuer Name:
BMO Equity Index Fund
BMO International Index Fund
BMO U.S. Equity Index Fund
(Series A and I)
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated August 3, 2010 to the Simplified Prospectuses and Annual Information Form dated April 21, 2010
NP 11-202 Receipt dated August 9, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):

BMO Investments Inc.
Promoter(s):
BMO Investments Inc.
Project #1542027

Issuer Name:
Class A, E, F, I and W units of:
Cash Management Pool
Short Term Income Pool
Canadian Fixed Income Pool
Global Fixed Income Pool
Enhanced Income Pool
Canadian Equity Value Pool
Canadian Equity Growth Pool
Canadian Equity Small Cap Pool
US Equity Value Pool
US Equity Growth Pool
US Equity Small Cap Pool
International Equity Value Pool
International Equity Growth Pool
Emerging Markets Equity Pool
Real Estate Investment Pool
Class A, E, ET5, ET8, F, W, WT5, WT8, I, IT5 and IT8 shares of:
Short Term Income Corporate Class (classes of shares of CI Corporate Class Limited)
Canadian Fixed Income Corporate Class (classes of shares of CI Corporate Class Limited)
Global Fixed Income Corporate Class (classes of shares of CI Corporate Class Limited)
Enhanced Income Corporate Class (classes of shares of CI Corporate Class Limited)
Canadian Equity Value Corporate Class (classes of shares of CI Corporate Class Limited)
Canadian Equity Growth Corporate Class (classes of shares of CI Corporate Class Limited)
Canadian Equity Alpha Corporate Class (classes of shares of CI Corporate Class Limited)
Canadian Equity Small Cap Corporate Class (classes of shares of CI Corporate Class Limited)
US Equity Value Corporate Class (classes of shares of CI Corporate Class Limited)
US Equity Growth Corporate Class (classes of shares of CI Corporate Class Limited)
US Equity Alpha Corporate Class (classes of shares of CI Corporate Class Limited)
US Equity Small Cap Corporate Class (classes of shares of CI Corporate Class Limited)
International Equity Value Corporate Class (classes of shares of CI Corporate Class Limited)
International Equity Growth Corporate Class (classes of shares of CI Corporate Class Limited)
International Equity Alpha Corporate Class (classes of shares of CI Corporate Class Limited)
Emerging Markets Equity Corporate Class (classes of shares of CI Corporate Class Limited)
Real Estate Investment Corporate Class (classes of shares of CI Corporate Class Limited)
Class E, ET5, ET8, I, IT5 and IT8 shares of:
US Equity Value Currency Hedged Corporate Class (classes of shares of CI Corporate Class Limited)
International Equity Value Currency Hedged Corporate Class (classes of shares of CI Corporate Class Limited)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated July 30, 2010
NP 11-202 Receipt dated August 4, 2010
Offering Price and Description:
Class A, E, F, I, and W units @ net asset value
Class A, E, ET5, ET8, F, W, WT5, WT8, I, IT5 and IT8 shares @ net asset value
Underwriter(s) or Distributor(s):
Assante Capital Management Ltd.
Promoter(s):
-
Project #1601028

Issuer Name:
Friedberg Global-Macro Hedge Fund
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated August 5, 2010
NP 11-202 Receipt dated August 6, 2010
Offering Price and Description:
Trust units @ net asset value
Underwriter(s) or Distributor(s):
Friedberg Mercantile Group Ltd.
Promoter(s):
-
Project #1607598

Issuer Name:
Gazit America Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated August 5, 2010
NP 11-202 Receipt dated August 6, 2010
Offering Price and Description:
OF 12,847,877 RIGHTS TO SUBSCRIBE FOR UP TO 2,569,575 UNITS AT A PRICE OF $5.00 PER UNIT (EACH UNIT CONSISTING OF ONE COMMON SHARE AND ONE WARRANT) Rights Exercise Price: $5.00 per Unit (upon the exercise of five Rights)
Underwriter(s) or Distributor(s):
-
Promoter(s):
First Capital Realty Inc.
Project #1592869

Issuer Name:
GrowthWorks Canadian Fund Ltd.
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated August 6, 2010 to the Long Form Prospectus dated November 10, 2009
NP 11-202 Receipt dated August 6, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
GrowthWorks Capital Ltd.
Promoter(s):
-
Project #1480584

Issuer Name:
InnVest Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated August 6, 2010
NP 11-202 Receipt dated August 6, 2010
Offering Price and Description:
$75,000,000.00 - 6.00% Convertible Unsecured Subordinated Debentures Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
RBC Dominion Securities Inc.
Canaccord Genuity Corp.
Promoter(s):
-
Project #1610713

Issuer Name:
Magma Energy Corp.
Principal Regulator - British Columbia
Type and Date:
Amendment #1 dated July 30, 2010 to the Short Form Prospectus dated July 21, 2010
NP 11-202 Receipt dated August 5, 2010
Offering Price and Description:
$40, 000,000.00 - 35,714,286 Common Shares at $1.12 per Common Share
Underwriter(s) or Distributor(s):
Raymond James Ltd.
National Bank Financial Inc.
Cormark Securities Inc.
Dundee Securities Corporation
Jacob Securities Inc.
Mackie Research Capital Corporation
Salman Partners Inc.
Wellington West Capital Markets Inc.
Canaccord Genuity Corp.
Promoter(s):
-
Project #1605912

Issuer Name:
Navina India Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated July 23, 2010
NP 11-202 Receipt dated August 4, 2010
Offering Price and Description:
Series A, Series F and Series O Units
Underwriter(s) or Distributor(s):
Lawrence Asset Management Inc,
Promoter(s):
Navina Asset Management Inc.
Project #1597633

Issuer Name:
RedWater Energy Corp.
Principal Regulator - Alberta
Type and Date:
Final Long Form Prospectus dated August 5, 2010
NP 11-202 Receipt dated August 5, 2010
Offering Price and Description:
Maximum: $3,000,000.00 (up to 7,500,000 Units); Minimum: $1,500,000.00 (up to 3,750,000 Units) Price: $0.40 per Unit and 6,489,296 Common Shares (Issuable upon the exercise of Special Warrants)
Underwriter(s) or Distributor(s):
Union Securities Ltd.
Promoter(s):
Gary Waters
Project #1526969

Issuer Name:
Scotia European Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated July 26, 2010 to the Simplified Prospectus and Annual Information Form dated December 11, 2009
NP 11-202 Receipt dated August 5, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Scotia Securities Inc.
Promoter(s):
-
Project #1499311

Issuer Name:
Scotia International Equity Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated July 26, 2010 to the Simplified Prospectus and Annual Information Form dated December 11, 2009
NP 11-202 Receipt dated August 5, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Scotia Securities Inc.
Promoter(s):
-
Project #1499384

Issuer Name:
Sterling Resources Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated August 5, 2010
NP 11-202 Receipt dated August 5, 2010
Offering Price and Description:
$40,004,500.00 - 21,055,000 Common Shares Price: $1.90 per Common Share
Underwriter(s) or Distributor(s):
Wellington West Capital Markets Inc.
Canaccord Genuity Corp.
RBC Dominion Securities Inc.
Stifel Nicolaus Canada Inc.
Maison Placements Canada Inc.
Promoter(s):
-
Project #1610785

Issuer Name:
Timbercreek Global Real Estate Fund
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated August 5, 2010
NP 11-202 Receipt dated August 6, 2010
Offering Price and Description:
Maximum - $100,000,008.00 (8,333,334 Units) and
Minimum - $20,000,004.00 (1,666,667 Units)
$12.00 per Class A Unit and $12.00 per Class B Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Raymond James Ltd.
CIBC World Markets Inc.
Macquarie Capital Markets Canada Ltd.
National Bank Financial Inc.
Scotia Capital Inc.
Manulife Securities Inc.
HSBC Securities (Canada) Inc.
Canaccord Genuity Corp.
GMP Securities L.P.
M Partners Inc.
Promoter(s):
Timbercreek Asset Management Inc.
Project #1595723

Issuer Name:
Viterra Inc.
Principal Regulator - Saskatchewan
Type and Date:
Final Base Shelf Prospectus dated August 6, 2010
NP 11-202 Receipt dated August 6, 2010
Offering Price and Description:
$500,000,000.00 - Senior Unsecured Notes
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1609233

Issuer Name:
Wellington West Franklin Templeton Balanced Retirement Income Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated August 4, 2010
NP 11-202 Receipt dated August 5, 2010
Offering Price and Description:
Series A units @ net asset value
Underwriter(s) or Distributor(s):
Wellington West Financial Services Inc.
Promoter(s):
-
Project #1602968

Issuer Name:
Wilmington Capital Management Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated August 4, 2010
NP 11-202 Receipt dated August 5, 2010
Offering Price and Description:
Up to $10,000,000.00 - Up to 7,812,500 Class A Shares
$1.28 per Class A Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1605505

Issuer Name:
Hornby Bay Mineral Exploration Ltd.
Type and Date:
Rights Offering Circular dated July 26, 2010
Accepted July 27, 2010
Offering Price and Description:
Four Rights plus $0.16 entitle the holder to subscribe for one Flow-Through Share Subscription Price: $0.16 per Flow-Through Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1580760

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Voluntary Surrender of Registration	Stern Capital LLC	Exempt Market Dealer	August 5, 2010

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Chapter 13

SROs, Marketplaces and Clearing Agencies

13.1 SROs

13.1.1 Proposed Amendments to MFDA Rule 3.1.1 (Capital – Minimum Levels) and MFDA Form 1 – Financial Questionnaire and Report

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

PROPOSED AMENDMENTS TO

MFDA RULE 3.1.1 (CAPITAL – MINIMUM LEVELS)
AND
MFDA FORM 1 – FINANCIAL QUESTIONNAIRE AND REPORT

I. OVERVIEW

A. Current Rules

MFDA Rule 3.1.1 prescribes the minimum capital to be maintained by Level 1, 2, 3 and 4 dealers/Members. In accordance with the requirements of Rule 3.1.1:

Level 1 Dealers

Level 1 dealers are required to introduce all of their accounts to a carrying dealer and may not hold client cash, securities or other property. Level 1 dealers are presently subject to a $25,000 minimum capital requirement. At this time, the MFDA does not have any Level 1 dealers in membership.

Level 2 Dealers

Level 2 dealers are prohibited from holding client cash, securities or other property. Level 2 dealers are presently subject to a $50,000 minimum capital requirement.

Level 3 Dealers

Level 3 dealers are prohibited from holding client securities or other property with the exception of holding client cash in a trust account. Level 3 dealers are presently subject to a $75,000 minimum capital requirement.

Level 4 Dealers

Level 4 dealers are Members who act as a carrying dealer and all other Members including those who hold client securities or other property. Level 4 dealers are presently subject to a $200,000 minimum capital requirement.

The current MFDA minimum capital requirements under Rule 3.1.1 are not consistent with National Instrument 31-103 *Registration Requirements and Exemptions* ("NI 31-103") for Members who are licensed in multiple registration categories.

Form 1

MFDA Members are required to file a monthly and annual financial report with the MFDA in a prescribed form ("Form 1"). Currently, Form 1 requires financial information to be prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"), except as modified by the MFDA and MFDA Investor Protection Corporation ("MFDA IPC").

B. The Issues

The proposed amendments to Rule 3.1.1 are intended to ensure that MFDA Members registered in other registration categories under securities legislation are subject to consistent minimum capital requirements under MFDA Rules and NI 31-103.

Level 1 Dealers

Pursuant to section 9.3 of NI 31-103, MFDA Members that are registered solely as mutual fund dealers are exempt from the capital requirements under section 12.1 of NI 31-103. Accordingly, a Level 1 introducing dealer who is only registered as a mutual fund dealer would be subject to the MFDA's $25,000 minimum capital requirement. However, MFDA Members registered in other categories, including scholarship plan dealer, exempt market dealer, restricted dealer or investment fund manager, are subject to the minimum capital requirements in NI 31-103. Under NI 31-103, the minimum capital requirement for a registered dealer that is not registered as an investment fund manager is $50,000. The minimum capital requirement for an investment fund manager under NI 31-103 is $100,000. In light of the NI 31-103 minimum capital requirements, the proposed amendments to Rule 3.1.1 prohibit a Level 1 dealer from registering in any category of registration other than mutual fund dealer.

Level 2 and 3 Dealers

MFDA minimum capital requirements for Level 2 and 3 dealers, $50,000 and $75,000 respectively, meet or exceed the $50,000 minimum capital requirements in NI 31-103 for dealers that are not also registered as a investment fund managers. A dealer that is also registered as an investment fund manager must maintain $100,000 in minimum capital under NI 31-103. Accordingly, the proposed amendments to Rule 3.1.1 require a Level 2 or 3 dealer that is also registered as an investment fund manager to maintain the minimum capital of $100,000.

Level 4 Dealers

No changes are being proposed to the minimum capital requirements for Level 4 dealers as the MFDA minimum capital requirements for Level 4 dealers exceed the minimum capital requirements in NI 31-103.

Form 1

The Canadian Accounting Standards Board ("AcSB") has confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian standards and interpretations as Canadian GAAP for Publicly Accountable Enterprises ("PAEs"), effective for fiscal years beginning on or after January 1, 2011. The proposed amendments to Form 1 are intended to align financial reporting required under Form 1 with IFRS.

C. Objectives

As noted, the objectives of the proposed amendments are to harmonize MFDA minimum capital requirements with those under NI 31-103 and to align MFDA financial reporting requirements with IFRS.

D. Effect of Proposed Amendments

Rule 3.1.1 Amendments

The proposed amendments to Rule 3.1.1, which are necessary to harmonize MFDA minimum capital requirements with NI 31-103, will not have a significant impact on Members. As noted, the MFDA does not have any Level 1 dealers in membership. Further, the MFDA has very few Level 2 and 3 dealers who are investment fund managers. The Members who operate as investment fund managers have sufficient capital to meet the proposed $100,000 amount.

Form 1

The proposed amendments to Form 1 to conform to IFRS do not impact the MFDA's capital formula. Reporting based on IFRS, rather than current Canadian GAAP, may impact the timing and/or manner in which certain balances are reported and thus, ultimately, the calculated Risk Adjusted Capital ("RAC") balance, as defined in Form 1. The key differences between Canadian GAAP and IFRS and the related impact on RAC and the other Early Warning tests are summarized below and in the blacklined version of Form 1.

The proposed amendments to Form 1 to harmonize with NI 31-103, including changing the margin rates and the treatment of guarantees, will not have a significant impact on the entire membership based on recent financial filings. However, the change to the treatment of guarantees may impact how Members arrange financing in the future.

II. DETAILED ANALYSIS

A. Relevant History

Rule 3.1.1 Amendments

MFDA Rule 3.1.1, which establishes minimum capital requirements, has been in effect since the MFDA was first recognized as a self-regulatory organization ("SRO") in 2001. NI 31-103 is a new instrument that came into force in September 2009 and is in the process of being amended. Accordingly, MFDA Rules require amendment to conform with NI 31-103 in a number of areas.

Form 1 Amendments

In 2008, the AcSB advised that Canadian GAAP would be replaced with IFRS in 2011 for all PAEs. As a result, in 2008 MFDA staff commenced a preliminary review of the impact, if any, that the AcSB's pronouncement would have on the financial reporting requirements of the membership. Bulletin #0328-M – *Conversion to International Financial Reporting Standards* was issued in September 2008 informing the membership of the MFDA's position that some Members meet the definition of a PAE, and, consequently, would be required to report in accordance IFRS, whereas others would not. Accordingly, the MFDA undertook an assessment as to whether to mandate one financial reporting standard for all Members or whether to permit two different standards for regulatory reporting purposes.

In June 2009, Bulletin #0378-M – *Conversion to International Financial Reporting Standards (IFRS) – Discussion Paper/Request for Comment* was issued to solicit feedback from Members and their auditors to determine the impact on them should the MFDA require all Members to adopt reporting based upon IFRS. Following review and analysis of the comments received in response to Bulletin #0378-M, MFDA staff concluded that adopting one standard for all MFDA Members, based on IFRS, would be the best way to ensure that consistent, fair and cost-effective regulatory oversight of the membership continued. Consequently, Bulletin #0411-C – *International Financial Reporting Standards (IFRS) – Follow up to MFDA Bulletin #0378 – Conversion to IFRS* was issued in November 2009, informing the membership of the financial reporting requirements going forward. The Canadian Securities Administrators ("CSA") and the Investment Industry Regulatory Organization of Canada ("IIROC") also concluded that one consistent standard based on IFRS would be required for their registrants and Members, respectively. Given parallel financial reporting objectives, MFDA staff worked with IIROC staff to ensure that proposed changes relating to IFRS conversion were consistent, where appropriate.

B. Proposed Amendments

Proposed Amendments to Rule 3.1.1

The Level 1 category under Rule 3.1.1 would be amended to prohibit a Level 1 dealer from being registered in any category of registration other than mutual fund dealer. In addition, new subsection 3.1.1(b) would require Members registered as investment fund managers that are also Level 2 or 3 Dealers to maintain a minimum capital of $100,000.

Proposed Amendments to Form 1

Relating to IFRS Conversion

Generally, the IFRS conceptual framework is very similar to Canadian GAAP, as it is principle-based with comparable objectives, characteristics and elements. Some key differences between the two standards are: (i) IFRS requires or permits reporting balances using "fair values" in cases where Canadian GAAP would require the balances to be reported at "cost"; and (ii) IFRS requires more extensive financial statement note disclosures than Canadian GAAP, as it considers qualitative information to be critical to the "true and fair" presentation of financial statements.

As noted, the current Form 1 requires financial information to be presented in accordance with Canadian GAAP *except as modified by the MFDA and MFDA IPC.* During the development of the proposed amendments to Form 1 in order to convert it to IFRS, a primary objective was to minimize the modifications or "accounting departures" from IFRS. This was done, where appropriate, to maintain consistent presentation, as required by the standard setters and to be consistent with the approach taken by IIROC with respect to its prescribed regulatory reporting form.

In order to reflect the conversion to IFRS, changes to General Notes and Definitions have been proposed to explicitly include in the Form: (i) the prescribed departures from IFRS; and (ii) the prescribed IFRS accounting treatment in cases where alternatives are available but are not permitted by the MFDA. To ensure conformance with IFRS terminology, respective definitions and specific required disclosures have been included in the bodies of the statements themselves. This also includes presenting regulatory requirements on Statements A and B in a different manner to satisfy the objective of minimizing accounting departures from IFRS in the Form 1.

With the exception of the specified IFRS departure for client and trading balances, changes have been proposed to support the requirement under IFRS to report all balances on a "gross" rather than a "net" basis. IFRS prohibits the netting of balances unless it is required or permitted under a specific IFRS or interpretation. Generally, netting is only permitted when there is a legal right to offset; when netting reflects the substance of the transaction; and/or when gross presentation would detract from the ability to understand the transaction and assess future cash flows. Canadian GAAP also has similar requirements; however, the statements do not necessarily include lines to adequately compare the gross and net figures.

Since IFRS requires or permits fair value measurement, the difference resulting from re-valuation from cost to fair value may require reporting through Other Comprehensive Income ("OCI"), which is a component of equity not profit/loss directly from operations. Finally, required changes have been proposed to the Auditors' Reports to comply with International Standards on Auditing ("ISA"), specifically ISA 800.

Relating to Format and Presentation (Housekeeping)

In addition to the proposed amendments to align financial reporting, as required under Form 1, with IFRS, the following housekeeping amendments are also proposed:

(i) Additional lines added for the benefit of enhanced disclosure;

(ii) Minor changes to the wording on the Statements, Schedules and their respective Notes and Instructions to enhance clarity and understanding of the requirements and ensure they accurately reflect current requirements;

(iii) Moving the presentation of the Early Warning tests from Statement C to a separate Schedule. The Early Warning Tests are designed to identify financial concerns with a Member prior to a deficiency being incurred. They are more appropriately reflected in a Schedule to the Form 1 than in a Statement, as the answers to the tests are derived from the preparation of Statements A to F;

(iv) Changes to the Certificate of Partners or Directors to accurately reflect current requirements and to update for terminology under NI 31-103; and

(v) Adding an additional Schedule where supplemental information requested will be presented. For example, the current requirement to report Number of Salespersons and Assets under Administration on Statement D will be moved to a new Schedule and will not be required as part of the annual audited Form.

Relating to Minimum Capital Requirements under NI 31-103

With the recent implementation of NI 31-103, all securities registrants across Canada, with the exception of Members of an SRO, are required to comply with new capital requirements as set out in Form 31-103F1 *Calculation of Excess Working Capital* ("CEWC"). One potentially significant component of the CEWC is the requirement to deduct 100% of the total amount of any guarantee provided in support of another party's liabilities. For example, if the registrant provided a guarantee to the lender of a $1 million loan provided to a related party, the registrant's CEWC would reflect a $1 million capital deduction on the Form 31-103F1.

Currently, the MFDA's Form 1 requires a 10% capital charge be taken for guarantees provided by the Member for liabilities of other parties. In order to ensure the MFDA's Form 1 continues to at least satisfy the minimum regulatory requirements imposed on other registrants, it is proposed that the capital charge requirement for guarantees be changed from 10% to 100% of the guaranteed amount. This requirement is also consistent with IIROC's capital formula.

In addition, following a review of the prescribed margin rates for a firm's own securities positions, it was identified that adjustments to the margin rates in the Form 1 were required to ensure that they at least met the minimum rates under NI 31-103. Consequently, changes to the margin rates for specific fixed income securities are also recommended at this time.

Statement B, *Statement of Risk Adjusted Capital*, Statement C, *Statement of Early Warning Excess*, and Schedule 1, *Analysis of Securities Owned and Sold Short at Market Value*, are the only sections within Form 1 that are impacted by the proposed amendments relating to minimum capital requirements under NI 31-103.

C. Issues and Alternatives Considered

No other alternatives were considered with respect to the proposed amendments to Rule 3.1.1 as these changes were made to harmonize MFDA minimum capital requirements with those under NI 31-103.

With respect to the proposed amendments to Form 1, MFDA staff undertook impact assessments with Members and their auditors to determine whether it would be more appropriate to mandate one financial reporting standard for all Members or permit two different standards for regulatory reporting purposes.

The implications of permitting two sets of reporting standards across the membership were considered as part of the IFRS review process. Two standards (i.e. IFRS and private enterprise GAAP) would require staff to be familiar with both standards and keep abreast of all changes as they arise. Further, having two standards would cause duplication of electronic filing platforms and forms and an inability to effectively compare and analyze financial data across the membership. This increase in regulatory oversight requirements would lead to increased operational costs for the MFDA and thus, indirectly, the membership.

Having regard to the findings of MFDA staff, the position adopted by the CSA and IIROC and the desirability for consistency in financial reporting among regulatory bodies to the extent possible, one financial reporting standard based on IFRS was adopted for all MFDA Members to ensure that consistent, fair and cost-effective regulatory oversight of the Membership continued.

D. Comparison with Similar Provisions

Both the CSA and IIROC have also concluded that one consistent standard based on IFRS would be required for their registrants and Members. In developing the proposed amendments to Form 1, MFDA staff gave consideration to the position adopted by the CSA and worked with staff of IIROC to ensure that proposed MFDA changes relating to IFRS conversion were consistent, as appropriate, with parallel regulatory initiatives.

One principal difference between the MFDA's and IIROC's proposed Form 1 relating to changes for IFRS conversion is that IIROC included a one-time Opening IFRS Statement of Financial Position and Reconciliation of Equity as part of IIROC's Form 1. The MFDA also intends to require this type of reporting from its membership. However, because it is a "one-time only" reporting requirement upon transitioning to IFRS, it would be filed as additional/supplemental financial information in accordance with Rule 3.5.1.

E. Technological Implications and Implementation Plan

Rule 3.1.1 Amendments

The proposed amendments to Rule 3.1.1 will not have a significant impact on systems requirements. Given Members are currently able to meet the minimum capital requirements of NI 31-103, a transition period is not necessary.

Form 1

As the primary purpose of the reporting requirements is to assess the current solvency of the firm, IFRS-compliant comparative financial statement balances will not be required for regulatory reporting purposes during the first year of transitional reporting.

MFDA staff does not anticipate that requiring financial reporting in accordance with IFRS will create widespread changes or have a significant impact on Member operations for those who would not otherwise be required to report using IFRS.

MFDA staff is aware that certain Members would not meet the definition of a PAE and would not, for any other reason, be required to report in accordance with IFRS other than for the proposed changes to regulatory reporting requirements of the MFDA. Consequently, MFDA staff is recommending that applicable Level 2 and 3 Dealers be allowed to elect to defer reporting under the new IFRS requirements proposed for up to 12 months past the fiscal year-ending. This election would be considered for any Level 2 or 3 Dealer that is not a PAE and whose fiscal year begins on January 1 to April 1, 2011.

F. Best Interests of the Capital Markets

The Board has determined that the proposed amendments are in the best interests of the capital markets.

G. Public Interest Objective

The proposed amendments are in the public interest as they will align financial reporting requirements under Form 1 with the requirements of IFRS and result in MFDA Members that are also registered under other registration categories under securities legislation to be subject to consistent minimum capital requirements under MFDA Rules and NI 31-103.

III. COMMENTARY

A. Filing in Other Jurisdictions

The proposed By-law amendments will be filed for approval with the Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, and Ontario Securities Commissions and the Saskatchewan Financial Services Commission.

B. Effectiveness

The proposed amendments are simple and effective.

C. Process

The proposed Policy has been prepared in consultation with relevant departments within the MFDA and has been reviewed by the Policy Advisory Committee of the MFDA and the Regulatory Issues Committee of the Board. The MFDA Board of Directors approved the proposed amendments on June 3, 2010.

D. Effective Date

The proposed amendments will be effective on a date to be subsequently determined by the MFDA.

IV. SOURCES

MFDA Rule 3.1.1
MFDA Rule 3.5.1
MFDA Form 1 – Financial Questionnaire and Report
National Instrument 31-103 *Registration Requirements and Exemptions*

V. REQUIREMENT TO PUBLISH FOR COMMENT

The MFDA is required to publish for comment the proposed amendments so that the issues referred to above may be considered by the Recognizing Regulators.

The MFDA has determined that the entry into force of the proposed amendments would be in the public interest and is not detrimental to the capital markets. Comments are sought on the proposed amendments. Comments should be made in writing. One copy of each comment letter should be delivered by **October 12, 2010** (within 60 days of the publication of this notice), addressed to the attention of the Corporate Secretary, Mutual Fund Dealers Association of Canada, 121 King St. West, Suite 1000, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of Julianna Paik, Senior Legal Counsel, British Columbia Securities Commission, 701 West Georgia Street, P.O. Box 10142, Pacific Centre, Vancouver, British Columbia, V7Y 1L2.

Those submitting comment letters should be aware that a copy of their comment letter will be made publicly available on the MFDA website at www.mfda.ca.

Questions may be referred to:

Laura Milliken
Director, Financial Compliance
Mutual Fund Dealers Association of Canada
(416) 943-5843

Schedule "A"

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

CAPITAL – MINIMUM LEVELS (Rule 3.1.1)

On June 3, 2010, the Board of Directors of the Mutual Fund Dealers Association of Canada made the following amendments to Rule 3.1.1:

3.1 CAPITAL

3.1.1 **Minimum Levels**.

(a) Each Member shall have and maintain at all times risk adjusted capital greater than zero, and minimum capital in the amounts referred to below for the Level in which the Member is designated, as calculated in accordance with Form 1 and with such requirements as the Corporation may from time to time prescribe:

Level 1 — $25,000 for a Member which is an introducing dealer and which satisfies the requirements of Rule 1.1.6(a) and (b), ~~and~~ is not a Level 2, 3 or 4 Member and is not otherwise registered in any other category of registration under securities legislation.

Level 2 — $50,000 for a Member which does not hold client cash, securities or other property.

Level 3 — $75,000 for a Member which does not hold client securities or other property, except client cash in a trust account.

Level 4 — $200,000, for any other Member, including a Member which acts as a carrying dealer in accordance with Rule 1.1.6.

For the purposes of the By-laws, Rules, Policies and Forms, a Member which is required to maintain minimum capital at an amount referred to above is referred to as a Level 1, 2, 3 or 4 Dealer or Member, as the case may be.

(b) Notwithstanding the provisions of paragraph (a), a Member that is registered as an investment fund manager under securities legislation and is a Level 2 or 3 Dealer must maintain minimum capital of at least $100,000.

~~December 11, 2008~~

Schedule "B"

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

FORM 1 – FINANCIAL QUESTIONNAIRE AND REPORT

On June 3, 2010, the Board of Directors of the Mutual Fund Dealers Association of Canada made the following amendments to MFDA Form 1 – Financial Questionnaire and Report:

FORM 1 – TABLE OF CONTENTS

~~**MFDA FINANCIAL QUESTIONNAIRE AND REPORT**~~

_____
(~~Firm~~Member Name)

_____
(Date)

~~**TABLE OF CONTENTS**~~

~~MFDA FINANCIAL QUESTIONNAIRE AND REPORT~~ FORM 1 –
GENERAL NOTES AND DEFINITIONS

GENERAL NOTES:

1. Each Member ~~shall~~must comply ~~in all respects~~ with the requirements ~~outlined~~ in ~~this prescribed~~ Form 1 ~~MFDA Financial Questionnaire and Report~~ as approved and amended from time to time by the b~~B~~oard of d~~D~~irectors of the Mutual Fund Dealers Association of Canada (the Corporation)~~MFDA) and MFDA Investor Protection Corporation~~.

   Form 1 is a special purpose report that includes financial ~~These~~ statements and schedules, and ~~are~~ is to be prepared in accordance with ~~generally accepted accounting principles~~International Financial Reporting Standards (IFRS), except as prescribed by ~~modified by the requirements of~~ the ~~MFDA~~Corporation. ~~or the MFDA Investor Protection Corporation.~~ Each Member must complete and file all of these statements and schedules.

2. The following are Form 1 IFRS departures as prescribed by the Corporation:

	Prescribed IFRS departure
Trading balances	When reporting client and trading balances, the Corporation allows the netting of receivables from and payables to the same counterparty.
Preferred shares	Preferred shares issued by the Member and approved by the Corporation are classified as shareholders' capital.
Presentation	Statements A and D contain terms and classifications (such as allowable and non-allowable assets) that are not defined under IFRS. Statements B, C, E and F are supplementary financial information, which are not statements contemplated under IFRS.
Separate financial statements on a non-consolidated basis	Consolidation of subsidiaries is not permitted for regulatory reporting purposes except for related companies that meet the definition of "related Member" in MFDA By-law No. 1 and the Corporation has approved the consolidation. Because Statement D only reflects the operational results of the Member, a Member must not include the income (loss) of an investment accounted for by the equity method.
Statement of cash flow	A statement of cash flow is not required as part of Form 1.
Valuation	The "market value" definition has been retained. While the "market value" definition is similar in most respect to the IFRS "fair value" valuation approach there are differences that will result in the valuation of illiquid securities, whereby a value must be assigned under the IFRS "fair value" approach and a determination that the "value is not determinable" would be acceptable under the Corporation's "market value" valuation approach.

3. The following are Form 1 prescribed accounting treatments based on available IFRS alternatives:

	Prescribed accounting treatment
Hedge accounting	Hedge accounting is not permitted for regulatory reporting purposes. All security and derivative positions of a Member must be marked-to-market at the reporting date. Gains or losses of the hedge positions must not be deferred to a future point in time.
Securities owned and sold short as held-for-trading	A Member must categorize all investment positions as held-for-trading financial instruments. These security positions must be marked-to-market. Because the Corporation does not permit the use of available for sale and hold-to-maturity categories, a Member must not include other comprehensive income (OCI) and will not have a corresponding reserve account relating to marking-to-market available for sale security positions.

Valuation of a subsidiary	A Member must value subsidiaries at cost.

2. These statements and schedules should be read in conjunction with the Corporation's Bylaws, Rules, and Policies. ~~and Forms of the MFDA and MFDA Investor Protection Corporation including, but not limited to rules relating to the early warning system, segregation of client assets, and insurance and audit requirements.~~

3. For purposes of these statements and schedules, the accounts of related ~~Members~~ companies ~~as defined by the MFDA may be consolidated as provided by the Bylaws, Rules and Policies of the MFDA. If consolidation is appropriate, the names of the companies consolidated must be provided.~~that meet the definition of "related Member" in MFDA By-law No. 1 may be consolidated.

~~4. FOR THE PURPOSES OF THESE CAPITAL CALCULATIONS REPORTING ON A TRADE DATE BASIS MUST BE USED UNLESS SPECIFIED OTHERWISE IN THE INSTRUCTIONS. THIS MEANS INCLUDING IN THE FOLLOWING PRESCRIBED STATEMENTS AND SCHEDULES, ALL ASSETS AND LIABILITIES RESULTING FROM SALES AND PURCHASES OF SECURITIES ON OR BEFORE THE REPORTING DATE, EVEN THOUGH THEY MAY BE FOR NORMAL SETTLEMENT AFTER THE REPORTING DATE.~~

6. For purposes of the statements and schedules, the capital calculations must be on a trade date reporting basis unless specified otherwise in the Notes and Instructions to Form 1.

~~5. All statements and schedules must be filed. If a schedule is not applicable, a "NIL" return must be filed.~~

7. Comparative figures on all statements are required only at the audit date. As a transition exemption for the changeover to International Financial Reporting Standards (IFRS) from Canadian Generally Accepted Accounting Principles (CGAAP), Members are not required to file comparative information for the preceding financial year as part of the first audited Form 1 under IFRS.

8. All statements and schedules must be expressed in Canadian dollars and must be rounded to the nearest dollar.

9. Supporting details should be provided, as required, showing a breakdown ~~Schedules should be attached showing details~~ of any significant amounts that have not been clearly described on the ~~attached~~ statements and schedules.

10. **Mandatory security counts. ~~and reconciliations.~~** Securities held in segregation and safekeeping must be counted once in the year in addition to the count as at the year-end audit date.

Mandatory reconciliations. Reconciliations must be performed monthly in addition to the year-end audit date between the Member's records and the records of the depository or custodian where the Member holds its own and client securities in nominee name accounts.

~~10. At the year-end, enclose a list of all brokers and dealers and mutual fund companies for which a confirmation has not been obtained after two requests. Such list should include the dollar balances in such accounts, as reflected in the firm's records.~~

~~11. For purposes of these statements and capital calculations, all related party debt must be recorded as a current liability unless a subordination agreement in a form prescribed by the MFDA has been executed by the Member and other relevant parties in relation to such debt.~~

DEFINITIONS:

1. **"acceptable entity"** means:

(a) Acceptable institutions.

(b) Government of Canada, the Bank of Canada and Provincial Governments.

(c) Insurance companies licensed to do business in Canada or a province thereof.

(d) Canadian provincial capital cities and all other Canadian cities and municipalities, or their equivalents.

(e) All crown corporations, instrumentalities and agencies of the Canadian federal or provincial governments which are government guaranteed as evidenced by a written unconditional irrevocable guarantee or have a call on the consolidated revenue fund of the federal or provincial governments.

(f) Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission.

(g) Corporations (other than Regulated Entities) with a minimum net worth of $75 million on the last audited balance sheet, provided acceptable financial information with respect to such corporation is available for inspection.

(h) Members of the ~~Mutual Fund Dealers Association of Canada~~Corporation.

(i) Regulated entities.

2. **"acceptable institutions"** means:

(a) Canadian banks, Quebec savings banks, trust companies licensed to do business in Canada or a province thereof.

(b) Credit and central credit unions and regional caisses populaires.

3. **"acceptable securities locations"** means those entities considered suitable to hold securities on behalf of a Member, for both ~~inventory~~investment and client positions, without capital penalty, given that the locations meet the requirements outlined in the segregation Bylaws, Rules or Policies of the Corporation ~~MFDA~~ including, but not limited to, the requirement for a written custody agreement outlining the terms upon which such securities are deposited and including provisions that no use or disposition of the securities shall be made without the prior written consent of the Member and the securities can be delivered to the Member promptly on demand. The Corporation ~~MFDA~~ will maintain and regularly update a list of those foreign depositories and clearing agencies that comply with these criteria. The entities are as follows:

(a) Depositories

(i)	Canada	~~The Canadian Depository for Securities Limited~~CDS Clearing and Depository Services Inc.
(ii)	United States	Depository Trust Company ~~Pacific Securities Depository Trust Company~~ ~~Midwest Securities Trust Company~~

(b) Government of Canada, the Bank of Canada and Provincial Governments.

(c) Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof.

(d) Credit and central credit unions and regional caisses populaires.

(e) Insurance companies licensed to do business in Canada or a province thereof.

(f) Mutual Funds or their Agents – with respect to security positions maintained as a book entry of securities issued by the mutual fund and for which the mutual fund is unconditionally responsible.

(g) Regulated entities.

4. **"regulated entities"** means those that are Members covered by the Canadian Investor Protection Fund or Members of recognized exchanges and associations. For the purposes of this definition, recognized exchanges and associations are those that are identified as a "regulated entity" by the ~~Investment Dealers Association of Canada~~Investment Industry Regulatory Organization of Canada.

5. **"market value of securities"** means:

(a) In a fully transparent marketplace, the published price quotation for the security using:

i. for listed securities, the last bid price of a long security and, correspondingly, the last ask price of a short security, as shown on the exchange quotation sheets as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be, subject to an appropriate adjustment where an unusually large or unusually small quantity of securities is being valued. If not available, the last sale price of a board lot may be used.

ii. for unlisted and debt securities, and precious metals bullion, a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or based on a reasonable yield rate.

iii. for commodity futures contracts, the settlement price on the relevant date or last trading day prior to the relevant date.

iv. for money market fixed date repurchases (no borrower call feature), the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date.

v. for money market open repurchases (no borrower call feature), the price determined as of the reporting date or the date the commitment first becomes open, whichever is the later. The value is to be determined as in (iv) and commitment price is to be determined in the same manner using the yield stated in the repurchase commitment.

vi. for money market repurchases with borrower call features, the borrower call price.

(b) Where a marketplace does not exist or is inactive, the value is determined by using a valuation technique that includes inputs other than published price quotations that are observable for the security, either directly or indirectly.

(c) Where a marketplace does not exist or is inactive and there are no observable market data-related inputs for the security, the value determined by using unobservable inputs and assumptions.

(d) Where insufficient recent information is available and/or there is a wide range of possible value measurements and cost represents the best estimate of market value within that range, cost.

(e) Where value cannot be reliably measured under Items (a) through (d) above (including where cost does not represent the best estimate of value), no value shall be assigned.

~~MFDA FINANCIAL QUESTIONNAIRE AND REPORT~~
FORM 1 – CERTIFICATE OF PARTNERS OR DIRECTORS

_____
(Member~~Firm~~ Name)

I/We have examined the attached statements and schedules and certify that, to the best of my/our knowledge, they present fairly the financial position and capital of the ~~firm~~Member at _____ and the results of operations for the period then ended, and are in agreement with the books of the ~~firm~~Member.

I/We certify that the following information is true and correct to the best of my/our knowledge for the period from the last audit to the date of the attached statements which have been prepared in accordance with the current requirements of the Corporation~~MFDA and MFDA Investor Protection Corporation.~~:

ANSWERS

1. Do the attached statements fully disclose all assets and liabilities including the following:

   (a) All future purchase and sales commitments? ..... _____

   (b) Writs issued against the Member~~firm~~ or partners or ~~corporation or~~ any other litigation pending? _____

   (c) Income tax arrears ~~of partners or corporation~~? ..... _____

   (d) Other contingent liabilities, guarantees, accommodation, endorsements or commitments affecting the financial position of the Member~~firm~~? ..... _____

2. Does the ~~firm~~Member promptly segregate clients' cash and securities in accordance with the Rules and Policies ~~prescribed by the MFDA~~? ..... _____

3. Does the ~~firm~~Member determine on a regular basis its segregation amount and act promptly to segregate assets as appropriate in accordance with the Rules and Policies ~~prescribed by the MFDA~~? _____

4. Does the ~~firm~~Member carry insurance of the type and in the amount required by the Rules and Policies ~~of the MFDA~~? ..... _____

5. Does the ~~firm~~Member monitor on a regular basis its adherence to early warning requirements in accordance with the Rules and Policies ~~prescribed by the MFDA~~? ..... _____

6. Does the ~~firm~~Member perform regular reconciliations of its trust accounts in accordance with the Rules and Policies~~prescribed by the MFDA~~ ? ..... _____

7. Does the ~~firm~~Member perform regular reconciliations of its mutual fund transactions with fund company ~~records~~and other financial institution records in accordance with the Rules and Policies ~~prescribed by the MFDA~~ ? ..... _____

8. Does the ~~firm~~Member have adequate internal controls in accordance with the Rules and Policies ~~prescribed by the MFDA~~ ? ..... _____

9. Does the ~~firm~~Member maintain adequate books and records in accordance with the Rules and Policies ~~prescribed by the MFDA~~ ?..... _____

_____
[date]

Name and Title - Please print	**Signature**
_____	_____
_____	_____
_____	_____
_____	_____

CERTIFICATE OF PARTNERS OR DIRECTORS
NOTES AND INSTRUCTIONS

1. Details must be given for any "no" answers.

2. To be signed by two of either:

   (a) ~~chief executive officer/partner~~Ultimate Designated Person (UDP)
   (b) ~~c~~Chief ~~financial~~Executive ~~o~~Officer
   (c) ~~c~~Chief ~~accountant~~Financial ~~o~~Officer
   (d) Chief Accountant
   (e) ~~o~~One ~~d~~Director~~/~~ or ~~p~~Partner not included in (a), (b)~~, or~~ (c) or (d) above.

   Where there is only one individual that meets the qualifications of the positions listed above, this individual must sign the certificate.

3. Two copies with original signatures must be provided to the Corporation~~MFDA~~.

MFDA FINANCIAL QUESTIONNAIRE AND REPORT
PART I - AUDITORS' REPORT

TO: The MFDA and the MFDA Investor Protection Corporation.

We have audited the following Part I financial statements of _____:
(firm)

Statement A Statements of assets and of liabilities and shareholder/partner capital;
Statement B Statement of risk adjusted capital,
as at _____ 20___ and _____ 20___;
(date) *(date)*
Statement C Statement of early warning excess and early warning tests;
Statement D Summary statement of income for the years ended _____ 20___
(date)
and _____ 20___;
(date)
Statement E Statement of changes in capital and retained earnings (corporations) or undivided profits (partnerships); and

Statement F Statement of changes in subordinated loans for the year ended _____ 20___.
(date)

These financial statements have been prepared for the purpose of complying with the By-laws, Rules and Policies of the MFDA. These financial statements are the responsibility of the firm's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion,

(a) the statements of assets and of liabilities and shareholder/partner capital and the summary statement of income present fairly, in all material respects, the financial position of the firm as at _____ 20___ & _____
(dates)
_____ 20___ and the results of its operations for the years then ended in the form required by the MFDA in accordance with the basis of accounting described in the Notes to the Financial Questionnaire and Report.

(b) the statement of risk adjusted capital, as at _____20____ & _____ 20___ and the statements of
(date) *(date)*
early warning excess and early warning tests, changes in capital and retained earnings (corporations) or undivided profits (partnerships), and changes in subordinated loans, either as at or for the year ended _____20 _____
(date)
are presented fairly, in all material respects, in accordance with the applicable instructions of the MFDA.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the firm, the MFDA and the MFDA Investor Protection Corporation, to comply with the By-laws, Rules and Policies of the MFDA. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

_____ _____
[auditing firm name] *[date]*

_____ _____
[signature] *[place of issue]*

FORM 1 – AUDITORS' REPORT

To: Mutual Fund Dealers Association of Canada and MFDA Investor Protection Corporation

We have audited the accompanying Statements of Form 1 (the "Statements") of _____ (*Member name*) (the "Member") as at _____ (*date*) and for the year then ended. The Statements have been prepared for purposes of complying with the By-laws, Rules and Policies of the Mutual Fund Dealers Association of Canada.

Management's responsibility for the Statements

Management is responsible for the preparation and fair presentation of the Statements of Form 1 in accordance with its financial reporting obligations on the basis as described in Note ____. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the accompanying Statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Member's preparation and fair presentation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Member's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying Statements A, D, E and F present fairly, in all material respects, the financial position of the "Member" as at _____ (*date*) and the "Member's" financial performance for the period then ended in accordance with the basis as described in Note ____.

Statements B and C of Form 1 present fairly in all material respects the risk adjusted capital and early warning excess as at _____ (*date*) in accordance with the applicable By-laws, Rules and Policies of the Mutual Fund Dealers Association of Canada.

Our audit was conducted for the purpose of forming an opinion on the accompanying Statements taken as a whole. The accompanying supplemental information presented in schedules 1 to 5 is presented for purposes of additional analysis and is not a required part of the Statements of Form 1, but is supplementary information required by the Rules of the Mutual Fund Dealers Association of Canada. Such information has been subjected to the auditing procedures applied in the audit of the Statements of Form 1 and, in our opinion, is fairly stated in all material respects in relation to the Statements taken as a whole.

Emphasis of Matter

(Going concern matter to be described, if any).

(EFS to allow for auditor to provide wording on other potential Emphasis of Matter should one be required to be included in the auditors' report. Such wording would be agreed upon with Corporation prior to the filing of Form 1).

Basis of Accounting

Without modifying our opinion, we draw attention to Note ____ to the Statements which describes the basis of accounting. The Statements are prepared to meet the requirements of the Mutual Fund Dealers Association of Canada. As a result, the Statements may not be suitable for another purpose.

[Audit Firm]

[Date]

[Address]

~~PART I –~~ FORM 1 – AUDITORS' REPORT
NOTES AND INSTRUCTIONS

A measure of uniformity in the form of the auditors' report is desirable in order to facilitate identification of circumstances where the underlying conditions are different. Therefore, when auditors are able to express an unqualified opinion, their report should take the form of the auditors' report shown above.

~~An alternate form of Auditors' Report is available from the MFDA in the case where the auditor is unable to express an opinion on previous year's figures due to not having been the auditor for the previous year.~~

Any limitations in the scope of the audit must be discussed in advance with the Corporation~~MFDA~~. Discretionary scope limitations will not be accepted. Any emphasis of matter in the auditors' report must be discussed in advance with the Corporation.

Two copies with original signatures must be provided to the Corporation~~MFDA~~.

FORM 1, PART I – STATEMENT A
~~MFDA FINANCIAL QUESTIONNAIRE AND REPORT~~

_____
(Member ~~Firm~~ Name)

STATEMENT OF ~~ASSETS~~FINANCIAL POSITION
(~~as~~ at _____ ~~with comparative figures as at _____~~)

REFERENCE			NOTES	(CURRENT YEAR) C$	(PREVIOUS YEAR) C$
	LIQUID ASSETS:				
1.		Cash on deposit with a~~A~~cceptable i~~I~~nstitutions		$	$
2.		Client funds held in trust with a~~A~~cceptable i~~I~~nstitutions			
3.	Sch.1	Securities owned at market value			
4.		Receivable from carrying ~~broker~~dealer or mutual fund			
5.		Trading balances			
~~5~~6.		TOTAL LIQUID ASSETS			
	OTHER ALLOWABLE ASSETS *[Receivables f~~F~~rom Acceptable Entities]*:				
~~6~~7.		Interest and dividends receivable			
~~7.~~		~~Other receivables *[attach details]*~~			
8.	Sch.3	~~Recoverable and overpaid income taxes~~Current income tax assets			
9.		Recoverable and overpaid taxes			
10.		Other receivables *[provide details]*			
11~~10~~.		TOTAL OTHER ALLOWABLE ASSETS			
12~~11~~.		TOTAL ALLOWABLE ASSETS *(line ~~5~~6 plus line 1~~0~~1)*			
	NON ALLOWABLE ASSETS:				
13~~12~~.	Sch.2	~~Advanced redemption proceeds receivable~~Client debit balances			
14.		Deferred tax assets			

15.	Intangible assets			
~~13.~~	~~Provincial contingency fund deposits~~			
16~~14~~.	~~Fixed assets at depreciated value~~Property, plant and equipment			
17~~15~~.	~~Capitalized leases~~Finance lease assets			
18~~16~~.	~~Investments in and advances to subsidiaries and affiliates~~Due from related parties *[provide details]*			
19~~17~~.	~~Subordinated loans receivable from other Members~~Investments in subsidiaries and affiliates			
20~~18~~.	Other assets *[~~attach~~provide details]*			
21~~19~~.	TOTAL NON ALLOWABLE ASSETS			
22~~20~~.	TOTAL ASSETS *(line ~~11~~12 plus line ~~19~~21)*		**$**	**$**

FORM 1, PART I – STATEMENT A (CONTINUED)

~~PART I~~
~~MFDA FINANCIAL QUESTIONNAIRE AND REPORT~~

_____
~~(Firm Name)~~

~~STATEMENT OF LIABILITIES AND SHAREHOLDER/PARTNER CAPITAL~~
~~(as at _____ with comparative figures as at _____)~~

REFERENCE			NOTES	(CURRENT YEAR) C$	(PREVIOUS YEAR) C$
		CURRENT LIABILITIES:			
23.~~21.~~		Overdrafts and loans		$	$
~~22.~~24.	Sch.1	Securities sold short at market value			
~~23.~~25.		Trust liabilities			
26.		Trading balances			
27.		Provisions			
~~24~~28.	Sch.3	~~Income taxes payable~~Current income tax liabilities			
~~25.~~	~~Sch.3~~	~~Future income taxes - current portion~~			
~~26~~29.		Variable compensation payable			
~~27~~30.		Bonuses payable			
~~28~~31.		Accounts payable and accrued expenses			
~~29.~~		~~Capitalized leases and lease-related liabilities - current portion~~			
~~30~~32.		Other current liabilities *[~~attach~~provide details]*			
~~31.~~33.		TOTAL CURRENT LIABILITIES			
		~~LONG TERM~~NON-CURRENT LIABILITIES:			
34.		Provisions			
~~32.~~35.	~~Sch.3~~	~~Non-current portion of future income taxes~~Deferred tax liabilities			

~~33.~~		~~Non-current portion of capitalized leases and lease-related liabilities~~			
~~34.~~36.		Other ~~long term~~ non-current liabilities *[~~attach~~provide details]*			
~~35.~~37.		TOTAL ~~LONG TERM~~NON-CURRENT LIABILITIES			
38.		Finance leases and lease-related liabilities *[provide details]*			
39.		Due to related parties *[provide details]*			
40.	F-6	Subordinated loans			
~~36~~41.		TOTAL LIABILITIES *[line ~~31~~33 plus lines 37 to ~~35~~40]*			
	~~FINANCIAL STATEMENT~~ CAPITAL AND RESERVES:				
~~37.~~	~~F-6~~	~~Subordinated loans~~			
~~38.~~	~~E-A-3~~	~~Capital~~			
42.	Stmt. E	Issued capital			
43.	Stmt. E	Reserves			
~~39~~44.	~~E-C-3~~ Stmt. E	Retained earnings or undivided profits			
~~40~~45.		TOTAL ~~FINANCIAL STATEMENT~~ CAPITAL			
~~41~~46.		TOTAL LIABILITIES AND CAPITAL *(line ~~36~~41 plus line ~~40~~45)*			

PART I
MFDA FINANCIAL QUESTIONNAIRE AND REPORT

_____
(Firm Name)

NOTES TO THE FINANCIAL STATEMENTS
[to be provided at audit date]

Notes to the financial statements - Any notes which may be necessary for the fair presentation of the financial statements in accordance with generally accepted accounting principles and which are not contained in the supporting schedules must be attached as page 3 to Statement A, including without limitation:

- Significant accounting policies;
- Subsequent events (which are not otherwise disclosed) to the date of filing, which have a material effect on the firm's financial position and risk adjusted capital;
- Obligations under letters of credit;
- Outstanding legal claims which are likely to result in a material adverse effect on the firm's financial position and risk adjusted capital;
- Related party transactions, detailing by type of transaction the amount and parties involved, for all such transactions;
- Description of authorized and issued share capital and subordinated loans;
- Lease commitments; and
- Any other significant commitments or contingencies not otherwise disclosed.

FORM 1, PART I – STATEMENT A
NOTES AND INSTRUCTIONS
[comparative figures to be completed at audit date only]

Accrual basis of accounting

Members are required to use the accrual basis of accounting.

Allowable assets are those assets which, due to their nature, location or source, are either readily convertible into cash or from such creditworthy entities as to be allowed for capital purposes.

Line 4 - In the case of the salesperson's portion of gross commissions or fees receivable, to the extent that there is written documentation that the Member does not have a liability to pay the salespersons's commission until it is received, the salespersons's portion of the gross commission or fee receivable is an allowable asset.

Line 5 - Include amounts owed to the Member for the sale of nominee name client securities.

Line 8 - Include **only** overpayment of prior years' income taxes or current year installments. Taxes recoverable due to current year losses may be included to the extent that they can be carried back and applied against taxes previously paid. This line should not include future tax debits arising from losses carried forward.

Line 9 - Include GST and HST receivables, capital tax, Part IV tax, sales and property taxes.

Line 11~~10~~ - Includes **only** to extent receivables from Acceptable Entities (for definition, see General Notes and Definitions) but does not include subordinated loans receivable from other Members which should be shown on line18~~17~~. Allowable assets are those assets which due to their nature, location or source are either readily convertible into cash or from such creditworthy entities as to be allowed for capital purposes.

Line 15 - Start-up and organizational costs cannot be capitalized. Examples of intangible assets include goodwill and client lists.

Line 17 - Assets arising from a finance lease (also known as a capitalized lease).

Line 18 - A Member must report non-trading inter-company receivables on a gross basis unless the criteria for netting are met.

Line 19 - Investments in subsidiaries and affiliates must be valued at cost.

Line ~~18~~20 - Including but not limited to such items as:

- prepaid expenses
- ~~deferred charges~~commissions and other receivables from other than acceptable entities
- ~~future income tax debits~~cash surrender value of life insurance
- advances to employees (gross)
- ~~cash surrender value of life insurance~~
- ~~intangibles~~
- cash on deposit with non acceptable entities

Line 21 - Non-allowable assets mean those assets that do not qualify as allowable assets.

Line 23~~6~~ - Includes amounts owed by the Member for the purchase of nominee name client securities.

Line 27 - Recognize a liability to cover specific expenditures relating to legal and constructive obligations. A Member cannot hold provisions as a general reserve to be applied against some other unrelated expenditure.

Line ~~27~~30 - Include discretionary bonuses payable and bonuses payable to shareholders.

~~**Line 29 -** Include current portion of deferred lease inducements.~~

Line 40 - Subordinated loans mean approved loans, pursuant to an agreement in writing in a form satisfactory to the Corporation, obtained from a source approved by the Corporation, the payment of which is deferred in favour of other creditors and is subject to regulatory approval.

A Member must not pay a debt owed to any of its creditors contrary to any subordination or other agreement to which it and the Corporation are parties.

Line 43 - Reserve is an amount set aside for future use, expense, loss or claim. It includes an amount appropriated from retained earnings. It also includes accumulated other comprehensive income (OCI).

Line 44 - Retained earnings represent the accumulated balance of income less losses arising from the operation of the business, after taking into account dividends and other direct charges or credits.

~~**Line 38 -** Include contributed surplus, if applicable.~~

~~STATEMENT B~~

~~**PART I**~~
~~**MFDA FINANCIAL QUESTIONNAIRE AND REPORT**~~**FORM 1, PART I – STATEMENT B**

_____
(Member~~Firm~~ Name)

STATEMENT OF RISK ADJUSTED CAPITAL
(~~as at~~ _____ ~~with comparative figures as at _____~~)

REFERENCE			NOTES	(CURRENT YEAR) C$	(PREVIOUS YEAR) C$
	LIQUID ASSETS:				
1.	A-12~~11~~	Total Allowable Assets		$	$
2.	A-33~~31~~	**Deduct:** Total Current Liabilities			
3.		ALLOWABLE WORKING CAPITAL		$	$
4.	A-39	**Deduct:** Due to related parties			
5.		ADJUSTED ALLOWABLE WORKING CAPITAL		$	$
~~4~~6.		**Deduct:** Minimum capital			
~~5~~7.		SUBTOTAL			
~~6.~~		~~**Deduct:** Total Long Term Liabilities (A-35) x10%~~			
8.~~7.~~	A-37	**Deduct:** 10% of~~Contingent Liabilities *[attach details]*~~ Non-current liabilities ~~x~~10%			
~~8~~9.		SUBTOTAL			
		Deduct: ~~- amounts required to fully m~~Margin required:			
~~9.~~10.	Sch. 1	Securities owned and sold short			
~~10~~11.	Sch. 4	Financial institution bond deductible *[greatest under any clause]*			
~~11~~12.		Securities held at non-acceptable securities locations *[see note]*			
13.		Guarantees *[provide details]*			
~~12~~14.		Unresolved differences in nominee name accounts			
~~13~~15.		Unresolved differences in trust accounts			

REFERENCE		NOTES	(CURRENT YEAR) C$	(PREVIOUS YEAR) C$
~~14~~16.	Other *[~~attach~~provide details]*			
~~15~~17.	TOTAL MARGIN REQUIRED *[lines ~~9~~10 through ~~14~~16]*			
~~16~~18.	RISK ADJUSTED CAPITAL *[line ~~9~~8 minus line ~~15~~17]*		$	$

FORM 1, PART I – STATEMENT B
NOTES AND INSTRUCTIONS

Capital Adequacy

~~EACH~~A MEMBER ~~SHALL~~MUST HAVE AND MAINTAIN AT ALL TIMES RISK ADJUSTED CAPITAL IN AN AMOUNT NOT LESS THAN ZERO.

Line 4 - **Due to related parties**

For purposes of this capital calculation, all amounts owing to related parties must be reported as a deduction to risk adjusted capital.

Line 6 - **Minimum capital ~~Line 4 - -~~** Rule 3.1.1(a) requires the following minimum capital amounts:

Level 1 Member	$ 25,000
Level 2 Member	50,000
Level 3 Member	75,000
Level 4 Member	200,000

Notwithstanding the provisions of Rule 3.1.1(a), a Member that is registered as an investment fund manager under securities legislation and is a Level 2 or 3 Dealer must maintain minimum capital of at least $100,000.

Line 12 - **Securities held at non- acceptable locations**

~~Line 11 -~~ 100% of the market value of securities must be provided in the case where client or firm securities are held at locations which do not qualify as acceptable securities locations (see General Notes and Definitions). Securities held by an entity with which the Member has not entered into a written custodial agreement as required by the By-laws and Rules of the Corporation ~~MFDA~~ shall be considered as being held at non-acceptable securities locations.

Line 13 - **Guarantees**

If the Member is guaranteeing the liability of another party, the total amount of the guarantee must be provided for in computing Risk Adjusted Capital.

The Member should maintain and retain the details of the margin calculations for guarantees for review by the Corporation.

Lines 14 and 15 - **Unresolved differences**

Items are considered unresolved unless a journal entry to resolve the difference has been processed as of the Due Date of the Form 1.

This does not include journal entries writing off the difference to profit or loss in the period subsequent to the date of the Form 1.

Margin must be provided for adverse unresolved differences in nominee name accounts in an amount equal to the market value of the securities short plus the applicable margin rates related to the security. If the deficiency has not been resolved within thirty days of being discovered, the Member shall immediately purchase the securities that are short.

For nominee name accounts, where a mutual fund company or financial institution does not provide a monthly statement or electronic file confirming all of the Member firm's positions, the Member shall provide margin equal to 100% of the market value of such mutual funds and other investment products held on behalf of clients.

All reconciliations must be properly documented and made available for review by Corporation staff and the Member's auditor.

~~Line 16 - Other~~Line 12 and 13 - ~~Items are considered unresolved unless a journal entry to resolve the difference has been processed as of the Due Date of the questionnaire.~~

~~This does not include journal entries writing off the difference to profit or loss in the period subsequent to the date of the questionnaire.~~

~~Margin must be provided for adverse unresolved differences in nominee name accounts in an amount equal to the market value of the securities short plus the applicable margin rates related to the security. If the deficiency has not been resolved within thirty days of being discovered, the Member shall immediately purchase the securities that are short.~~

~~Line 14 -~~ This item should include all margin requirements not mentioned above as outlined in the By-laws and Rules of the Corporation~~MFDA~~.

~~STATEMENT C~~
~~PAGE 1 OF 2~~

~~DATE:~~_____

~~PART I~~
~~MFDA FINANCIAL QUESTIONNAIRE AND REPORT~~FORM 1, PART I – STATEMENT C

_____
(Member~~Firm~~ Name)

STATEMENT OF EARLY WARNING EXCESS

at_____

REFERENCE			NOTES	(CURRENT YEAR) C$
1.	B-18~~16~~	RISK ADJUSTED CAPITAL		$
~~2.~~		LIQUIDITY ITEMS –		
		DEDUCT:		
2.	A-11~~10~~	~~(a)~~ Total ~~O~~other allowable assets		
		ADD:		
3.	B-~~6~~8	~~(b)~~ 10% of ~~Total long term~~ Non-current liabilities		
3~~4~~.		EARLY WARNING EXCESS		$

~~NOTES:~~

FORM 1, PART I – STATEMENT C
NOTES AND INSTRUCTIONS

The early warning system is designed to provide advance warning of a Member ~~firm~~ encountering financial difficulties. It will anticipate capital shortages and/or liquidity problems and encourage ~~firms~~Members to build a capital cushion.

Line 2~~(a)~~ - Other allowable assets are deducted from RAC because they are illiquid or the receipt is either out of the firm's control or contingent.

Line ~~2(b)~~3 - ~~Long term~~Non-current liabilities are added back to RAC as they are not current obligations of the firm and can be used as financing.

~~STATEMENT D~~

~~**PART I**~~
~~**MFDA FINANCIAL QUESTIONNAIRE AND REPORT**~~**FORM 1, PART I – STATEMENT D**

_____
(Member~~Firm~~ Name)

~~**SUMMARY**~~ **STATEMENT OF INCOME AND COMPREHENSIVE INCOME**
FOR THE PERIOD ENDED _____
[with comparative figures for the year /month ended _____]

~~1.~~ ~~Number of salespersons~~

~~2.~~ ~~Assets Under Administration at statement date~~

		NOTES	(CURRENT ~~YR/MO~~ YEAR/MONTH) C$	(PREVIOUS ~~YR/MO~~ YEAR/MONTH) C$
COMMISSION REVENUE				
~~3.~~1.	Mutual Funds			
~~4.~~2.	Segregated Funds			
~~5.~~3.	Deposit Instruments			
~~6.~~4.	Limited Partnerships			
~~7.~~5.	Other securities *[provide details]*			
~~8.~~6.	Insurance			
OTHER REVENUE				
~~9.~~7.	Interest			
~~10.~~8.	Fees from clients			
~~11.~~9.	Management fees			
~~12.~~10.	Referral fees			
11.	Realized/unrealized (gain) loss on marketable securities			
~~13.~~12.	Other *[provide details]*			
~~14.~~13.	TOTAL REVENUE			
EXPENSES				
~~15.~~14.	Variable compensation			
15.	Commissions and fees paid to third parties			
16.	Interest expense on subordinated debt			
17.	Bad debt expense			
18.	Financing costs			
~~17.~~	~~Realized/unrealized (gain) loss on marketable securities~~			
19.	Operating expenses			

		NOTES	(CURRENT ~~YR/MO~~ YEAR/MONTH) C$	(PREVIOUS ~~YR/MO~~ YEAR/MONTH) C$
~~18.~~20.	Unusual items *[~~attach~~provide details]*			
~~20~~21.	Profit (loss) for the year from discontinued operations			
~~19.~~21.	~~Operating expenses other than lines 21-23~~			
~~20.~~22.	~~Income~~Profit (loss) ~~before lines 21-23~~for Early Warning test			
23.	Income – Asset revaluation			
24.	Expense – Asset revaluation			
25.	Interest expense on internal subordinated debt			
~~21.~~26.	Bonuses			
27.	**Net income (loss) before income tax expense**			
~~22.~~28.	S-3(5) ~~Provision for (recovery of) income taxes~~Income tax expense (recovery)			
	~~(a) current ……..~~			
	~~(b) future ……~~			
~~23.~~	~~Extraordinary items *[attach details]*~~			
~~24.~~29.	~~NET INCOME~~PROFIT [LOSS] FOR PERIOD			
OTHER COMPREHENSIVE INCOME				
30.	Gain (loss) arising on revaluation of properties		To E5a	
31.	Actuarial gain (loss) on defined benefit pension plans		To E5b	
32.	Other comprehensive income for the period, net of tax [Lines 30 plus 31]			
33.	**Total comprehensive income for the period** [Lines 29 plus 32]			
~~25.~~	~~Dividends paid or partners drawings~~			
~~26.~~	~~Other *[attach details]*~~			
~~27.~~	~~NET CHANGE TO RETAINED EARNINGS [lines 23 to 25]~~			

FORM 1, PART I – STATEMENT D
NOTES AND INSTRUCTIONS

Comprehensive Income

~~A comparative statement of income prepared in accordance with generally accepted accounting principles and containing at least the information shown in the pre-printed Statement D may be substituted. It should be affixed to the statement provided.~~

~~It is recognized that the components of the revenue and expense classification on this statement may vary between firms. However, it is important that each firm be consistent between periods.~~ ~~Fair presentation may require the separate disclosure of additional large and/or unusual items by way of a note to this statement.~~

Comprehensive income represents all changes in equity during a period, including profit and loss for the period and other comprehensive income (OCI). OCI captures certain gains and losses outside of net income. For regulatory financial reporting, there are two acceptable sources of other comprehensive income (OCI):

- the use of the revaluation model for property, plant and equipment (PPE) and intangible assets; and
- actuarial gain (loss) on defined benefit pension plans.

Lines

~~2 Assets under Administration means the market value of all mutual funds reflected in the client accounts (nominee and client name) of a Member in all provinces of Canada, excluding Quebec.~~

~~3~~1~~-7~~12 ~~All **Commission Revenue** should be reported net of payouts to carrying dealers. Commission paid to salespersons should be shown on line 15.~~Report all gross commission revenue earned in the appropriate lines.
Report all other revenue earned on a gross basis.
Commission paid to salespersons must be reported on line 14 (Expenses – Variable compensation)
Payouts to other parties must be reported on line 15 (Expenses – Commissions and fees paid to third parties).

~~3~~1 Include~~s~~ all gross commissions and trailer fees earned on mutual fund transactions~~, net of any payouts to the mutual funds~~.

7 Include all interest revenue. Interest revenue earned by the Member from holding client cash balances should be reported on this line.

The related interest cost paid to clients should be reported on line 18 (Expenses – Financing costs).

8 Include portfolio service fees, RRSP fees and any charges to clients that are not related to commissions or interest.

~~10 Includes any charges to clients that are not related to commissions.~~

~~11~~9 Include~~s~~ fund management fees and ~~other~~ consulting fees ~~not~~ charged to parties other than ~~to~~ clients.

~~12~~10 Include~~s~~ all fees earned as a result of referring clients to another entity for products or services.

11 Include all trading profits or losses from principal trading activities and adjustment of marketable securities to market value.

12~~13~~ Include~~s~~ foreign exchange profits~~/~~ or losses and all other revenue not reported above.

14~~15~~ ~~This category should i~~Include commissions, bonuses and other variable compensation of a contractual nature. Examples would encompass commission payouts to salespersons. ~~Discretionary bonuses should be included on line 21.~~ All contractual bonuses should be accrued monthly ~~and included on line 15~~. Discretionary bonuses should be reported separately on line 25 (Expenses – Bonuses).

15 Include payouts to other parties.

16 Include~~s~~ all interest on external subordinated debt, as well as non-discretionary contractual interest on internal subordinated debt.

18 Include the interest cost paid to clients.

19 Include all operating expenses except those mentioned elsewhere.

~~17 Includes trading profits/losses from principal trading activities and adjustment of marketable securities to market value.~~

~~18~~20 ~~Unusual items are items that have some but not all of the characteristics of extraordinary items *[line 23]*. An example of an unusual item may include costs associated with a branch closure.~~Unusual items result from transactions or events that are not expected to occur frequently over several years, or do not typify normal business activities. Discontinued operations, such as a branch closure, should be reported separately on line 21 (Profit (loss) for the year from discontinued operations).

21 A discontinued operation is a business component that has either been disposed or is classified as held for sale and represents (or is part of a plan to dispose) a separate significant line of business or geographical area of operations. For example, a branch closure.

~~19 Includes all operating expenses except those mentioned elsewhere: Variable compensation *[line 15]*, discretionary bonuses *[line 21]*.~~

22 This is the profit (loss) number used for the Early Warning profitability tests.

23 When a Member uses the revaluation model for its PPE and intangible assets, changes to the fair value may result in recognizing income after considering accumulated depreciation (or amortization) and OCI surplus.

24 When a Member uses the revaluation model for its PPE and intangible assets, changes to the fair value may result in recognizing expense after considering accumulated depreciation (or amortization) and OCI surplus.

25 Include interest expense on subordinated debt with related parties for which the interest charges can be waived if required.

~~21~~26 This category should include discretionary bonuses and all bonuses to shareholders in accordance with share ownership. ~~However, please read the instructions for line 15 before completing.~~ These bonuses are in contrast to those reported on Line 14 (Expenses – Variable compensation).

~~22~~28 Includes ~~ONLY~~only income taxes. Realty and capital taxes should be included on ~~in~~ line 19 (Expenses – Operating expenses). ~~Taxes at 33-1/3% on partnership profits should be disclosed on this line. The current provision should be net of loss carryforwards, the details of which should be disclosed on Schedule 3.~~

30 When a Member uses the revaluation model to re-measure its PPE and intangible assets, changes to fair value may result in a change to shareholders' equity after considering accumulated depreciation (amortization) and income or expense from asset revaluation.

31 When a Member has a defined benefit pension plan and initially adopts a policy of recognizing actuarial gains and losses in full in OCI, the subsequent adjustments must be recognized in OCI.

~~23 Extraordinary items have the following characteristics:~~
~~(a) they are not expected to occur frequently over several years;~~
~~(b) they do not typify normal business activities; and~~
~~(c) they do not depend primarily on decisions or determinations by management.~~
~~They should be reported net of tax. An example of an extraordinary item would include the destruction of a company's uninsured art collection by fire.~~

~~26 Includes only direct charges or credits to retained earnings that are capital transactions (e.g. premium on share redemptions), income of a subsidiary accounted for by the equity method and prior period adjustments. Any adjustment(s) required to reconcile retained earnings on the Monthly Financial Report to the MFDA Financial Questionnaire and Report should be posted to the individual Statement D line items on the first Monthly Financial Report that is filed after the adjustment(s) is known.~~

~~STATEMENT E~~

~~PART I~~
~~MFDA FINANCIAL QUESTIONNAIRE AND REPORT~~
FORM 1, PART I – STATEMENT E

_____
(Member ~~Firm~~ Name)

STATEMENT OF CHANGES IN CAPITAL AND RETAINED EARNINGS (CORPORATIONS) OR UNDIVIDED PROFITS (PARTNERSHIPS)
FOR THE PERIOD~~YEAR~~ ENDED _____

PART A. CHANGES IN ISSUED CAPITAL

~~REFERENCE~~		~~CURRENT YEAR~~
~~A.~~	**~~CHANGES IN CAPITAL~~**	
~~1.~~	~~Balance at last year-end~~	~~$~~
~~2.~~	~~Increases (Decreases) during period *[provide details]*~~	
	~~(a)~~	
	~~(b)~~	
	~~(c)~~	
~~3.~~	~~Present capital~~	~~$~~
		~~A-38~~
~~B.~~	**~~ANALYSIS OF PRESENT CAPITAL~~** *~~[see note 1]~~*	
~~1.~~	~~(a)~~	~~$~~
	~~(b)~~	
	~~(c)~~	
	~~To agree with line A-3 above~~	~~$~~
~~C.~~	**~~RETAINED EARNINGS [CORPORATIONS] OR UNDIVIDED PROFITS [PARTNERSHIPS]~~**	
~~1.~~	~~Retained earnings or undivided profits, at last year-end~~	~~$~~
~~2.~~	~~Increases (Decreases) during period *[see note 2]*:~~	
~~D-24~~	~~(a) Net income (loss) for the period~~	
~~D-25~~	~~(b) Dividends paid or partners drawings~~	
~~D-26~~	~~(c) Other *[provide details]*~~	
~~3.~~	~~Present retained earnings or undivided profits~~	~~$~~
		~~A-39~~

		Notes	Share capital or Partnership capital	Share premium	Issued capital
			[a]	[b]	[c] = [a] + [b]
			C$	C$	C$
1	Beginning balance				
2	Increases (decreases) during the period (provide details)				
	(a)				
	(b)				
	(c)				
3	Ending balance				
					A 42

PART B. CHANGES IN RESERVES

		Notes	General	Properties revaluation	Employee benefits	Total reserves
			[a]	[b]	[c]	[d] = [a] + [b] + [c]
			C$	C$	C$	C$
4	Beginning balance					
5	Changes during the period					
	(a) Other comprehensive income for the period – properties revaluation (From D 30)					
	(b) Other comprehensive income for the period – actuarial gain (loss) on defined benefit pension plans (From D 31)					
	(c) Recognition of share-based payments (From D 19)					
	(d) Transfer from/to retained earnings (From/to E 12)					
	(e) Other (provide details)					
6	Ending balance					
						A 43

PART C. CHANGES IN RETAINED EARNINGS

		Notes	Retained earnings (current year/month)	Retained earnings (previous year/month)
			C$	C$
	Changes in retained earnings			
7	Beginning balance			
8	Effect of change in accounting policy (provide details)			
	(a)		N/A	
	(b)		N/A	
9	As restated		N/A	
10	Payment of dividends or partners drawings			
11	Profit or loss for the period (From D 29)			
12	Other direct charges or credits to retained earnings (provide details)			
	(a)			
	(b)			
	(c)			
13	Ending balance			
			A 44	

~~**NOTES:**~~

1. ~~**Part B -** Disclosure should be made of authorized and issued share capital in accordance with generally accepted accounting principles.~~

2. ~~**Line C-2** - Direct charges or credits to retained earnings are to be restricted to capital transactions (e.g. dividends, premium on share redemptions, etc.) and prior period adjustments. All income items of an extraordinary or unusual nature (e.g. profits or losses on sale of fixed assets etc.) are to be included in Statement D in arriving at net income or loss for the period. The latter amount is to be transferred in total to retained earnings [Statement E-line C-2(a)].~~

FORM 1, PART I – STATEMENT E
NOTES AND INSTRUCTIONS

PART A. CHANGES IN ISSUED CAPITAL

Share premium

When the Member sells its shares (initial issuance or from treasury), share premium is the excess amount received by the Member over the par value (or nominal value) of its shares. Share premium cannot be used to pay out dividends.

PART B. CHANGES IN GENERAL RESERVE

General reserve

A Member may want to transfer from retained earnings. The creation of a general reserve gives the Member an added measure of protection.

Reserve – Employee benefits

When a Member has a defined benefit pension plan and initially adopts a policy of recognizing actuarial gains and losses in full in other comprehensive income (OCI), all subsequent adjustments must be recognized as other comprehensive income and will be accumulated in a reserve account.

When a Member has stock option or share awards granted to its employees by issuing new shares, the Member recognizes the fair value of the option or new shares granted as an expense with a corresponding increase in the reserve account.

Reserve – Properties revaluation

When using the revaluation model for certain non-allowable assets (PPE and intangibles), a Member will account for the initial increase in value as other comprehensive income and will accumulate the increase (and subsequent changes) in a revaluation reserve account.

PART C. CHANGES IN RETAINED EARNINGS

Changes in accounting policy and retroactive adjustment of prior year's retained earnings

A change in accounting policy in the current year requires retroactive adjustment of the prior year's retained earnings.

The beginning balance of the current period must be the ending balance of the prior period.

~~STATEMENT F~~

~~PART I~~
~~MFDA FINANCIAL QUESTIONNAIRE AND REPORT~~
FORM 1, PART I – STATEMENT F

_____
(Member ~~Firm~~ Name)

STATEMENT OF CHANGES IN SUBORDINATED LOANS
FOR THE PERIOD~~YEAR~~ ENDED _____

		Notes	C$
1.	Balance at last period~~year~~-end		$
2.	Increases during period *[give name of lender and date of increase]*		
	(a)		
	(b)		
	(c)		
	(d)		
	(e)		
	(f)		
3.	Subtotal		
4.	Decreases during period *[give name of lender and date of decrease]*		
	(a)		
	(b)		
	(c)		
	(d)		
	(e)		
	(f)		
5.	Subtotal		
6.	Present subordinated loans		$

FORM 1, PART I – STATEMENT F
NOTES AND INSTRUCTIONS:

1. **At the annual audit date only**, provide an attachment to Statement F showing the amount and the name of the lender for each subordinated loan outstanding.

2. **"subordinated loans"** means approved loans, pursuant to an agreement in writing in the form prescribed by the Corporation~~MFDA~~, the payment of which is deferred in favour of other creditors and is subject to regulatory approval.

MFDA FINANCIAL QUESTIONNAIRE AND REPORT
PART II - AUDITORS' REPORT

TO: The MFDA and the MFDA Investor Protection Corporation.

We have audited Part I of the MFDA Financial Questionnaire and Report ("Part I – FQR") of _____ as
(firm)
at _____ and for the year then reported thereon as of _____.
(date) *(date)*

The additional information set out in Part II of the MFDA Financial Questionnaire and Report Schedules 1 to 4 ("Part II – FQR") have been subjected to the procedures applied in the audit of Part I - FQR, and in our opinion, present fairly the information contained therein, in all material respects, in relation to Part I – FQR taken as a whole.

No procedures have been carried out in addition to those necessary to form an opinion on Part I – FQR.

The additional information set out in Part II – FQR, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Company, the MFDA and the MFDA Investor Protection Corporation to comply with the By-laws, Rules and Policies of the MFDA. The additional information set out in Part II – FQR are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

_____ _____
[name of auditing firm] *[date]*

_____ _____
[signature] *[place of issue]*

NOTES:

A measure of uniformity in the form of the auditors' report is desirable in order to facilitate identification of circumstances where the underlying conditions are different. Therefore, when auditors are able to express an unqualified opinion, their report should take the above form.

Any limitations in the scope of the audit must be discussed in advance with the MFDA. Discretionary scope limitations will not be accepted.

Copies with original signatures must be provided to the MFDA.

FORM 1, PART II
REPORT ON COMPLIANCE FOR INSURANCE AND SEGREGATION OF CASH AND SECURITIES

To: The ~~MFDA~~ Mutual Fund Dealers Association of Canada (the Corporation) and the MFDA Investor Protection Corporation~~.~~

We have performed the following procedures in connection with the regulatory requirements for _____ to maintain minimum insurance and segregate client cash and securities
(Member firm)
as outlined in the By-laws, Rules, and Policies of the Corporation~~MFDA and the MFDA Investor Protection Corporation~~. Compliance with the Corporation~~MFDA~~ By-laws, Rules, and Policies with respect to insurance and the segregation of client cash and securities is the responsibility of the management of the Member firm. Our responsibility is to perform the procedures requested by you.

1. We have read the Member firm's written internal control policies and procedures with respect to maintaining insurance coverage and segregation of client cash and securities to determine that such policies and procedures meet the minimum required, as prescribed by the Rules and Policies of the Corporation~~MFDA~~ in regards to establishing and maintaining adequate internal controls.

2. We obtained representation from appropriate senior management of the Member firm that the Member firm's internal control policies and procedures with respect to insurance and segregation of client cash and securities meet the minimum required, as prescribed by the Policies of the Corporation~~MFDA~~ in regards to establishing and maintaining adequate internal controls and that they have been implemented.

3. We read the Financial Institution Bond Form (the "FIB") insurance policy(s) to determine that the FIB policy(s) includes the minimum required clauses and coverage limits as prescribed in the By-laws, Rules and Policies of the Corporation~~MFDA~~.

4. We requested and obtained confirmation from the Member firm's Insurance Broker(s) as at _____
(period end date)
20____as to the FIB coverage maintained with the Insurance Underwriter(s) including:

(a)	clauses	(d)	name of insurer and insured
(b)	aggregate and single loss limits	(e)	claims made on the policy since last audit ~~date~~
(c)	deductible amounts	(f)	details of losses/claims outstanding

5. We traced the total client cash and securities held by the Member to the Member's books and records as at the audit date to check that the compilation of the total client cash and securities held by the Member is in accordance with the Notes and Instructions to Schedule 4 of Form 1.

6. We obtained a listing of all securities segregation locations used by the Member firm and determined that each location met the definition of "Acceptable Securities Locations" as defined in the General Notes and Definitions to Form 1.

7. We obtained a listing of all cash segregation locations used by the Member firm and determined that each location met the definition of "Acceptable Institutions" as defined in the General Notes and Definitions of Form 1 and that each account was designated as "in trust" and was interest bearing.

These procedures do not constitute an audit and therefore we express no opinion on the adequacy of the Member firm's insurance coverage, segregation of client cash and securities, or its internal control policies and procedures.

This ~~letter~~ report is for use solely by the Corporation~~MFDA~~ and the MFDA Investor Protection Corporation to assist in their assessment of the Member firm's compliance with the requirements ~~to~~ regarding maintaining minimum insurance and segregating client cash and securities as outlined in the Bylaws, Rules and Policies of the Corporation~~MFDA~~ and not for any other purpose.

_____ _____
(auditing firm) *(date)*

_____ _____
(signature) *(place of issue)*

REPORT ON COMPLIANCE FOR SEGREGATION OF CASH AND SECURITIES

To: The MFDA and the MFDA Investor Protection Corporation.

We have performed the following procedures in connection with the requirement for _____
(Member firm)
to segregate client securities as outlined in the By-laws, Rules and Policies of the MFDA. Compliance with the MFDA By-laws, Rules and Policies with respect to the segregation of client cash and securities is the responsibility of the management of the Member firm. Our responsibility is to perform the procedures requested by you.

1. We have read the Member firm's written internal control policies and procedures with respect to segregation of client cash and securities to determine that such policies and procedures meet the minimum required under the policies of the MFDA in regards to establishing and maintaining adequate internal controls.

2. We obtained representation from appropriate senior management of the Member firm that the Member firm's internal control policies and procedures with respect to segregation of client cash and securities meet the minimum required under the policies of the MFDA in regards to establishing and maintaining adequate internal controls.

3. We obtained a listing of all securities segregation locations used by the Member firm and determined that each location met the definition of "Acceptable Securities Locations" as defined in the General Notes and Definitions to the MFDA Financial Questionnaire and Report.

4. We obtained a listing of all cash segregation locations used by the Member firm and determined that each location met the definition of "Acceptable Institutions" as defined in the General Notes and Definitions of the MFDA Financial Questionnaire and Report and that each account was designated as "in trust" and was interest bearing.

As a result of applying the above procedures, we found the following exceptions:

_____
_____
_____
_____
_____
_____
_____
_____

These procedures do not constitute an audit of segregation of client cash and securities and therefore we express no opinion on the adequacy of the Member firm's internal control policies or procedures over segregation of client cash and securities.

This letter is for use solely by the MFDA and the MFDA Investor Protection Corporation to assist in their assessment of the Member firm's compliance with the requirements regarding segregation of client cash and securities as outlined in the By-laws, Rules and Policies of the MFDA and not for any other purpose.

_____ _____
(auditing firm) (date)

_____ _____
(signature) (place of issue)

~~DATE: _____~~ ~~SCHEDULE 1~~

~~**PART II**~~
~~**MFDA FINANCIAL QUESTIONNAIRE AND REPORT**~~ **FORM 1, PART II – SCHEDULE 1**

DATE: _____

_____
(Member~~Firm~~ Name)

ANALYSIS OF SECURITIES OWNED AND SOLD SHORT AT MARKET VALUE

	Category	Notes	Market Value Long C$	Market Value Short C$	Margin required C$
1.	Money market		$	$	$
	Accrued interest				NIL
	TOTAL MONEY MARKET				
2.	Money market mutual funds			NIL	
3.	Mutual funds (other than money market mutual funds)			NIL	
4.	Equities				
	Accrued interest on convertible debentures				NIL
	TOTAL EQUITIES				
5.	~~Bonds~~Debt				
	Accrued interest				NIL
	TOTAL ~~BONDS~~DEBT				
6.	Other (provide details)				
	Accrued interest				NIL
	TOTAL OTHER				
7.	TOTAL		$	$	$
			A-3	A-~~22~~24	B-10~~9~~

FORM 1, PART II – SCHEDULE 1
NOTES AND INSTRUCTIONS

1. All securities are to be valued at market (see General Notes and Definitions) as of the reporting date. The margin rates to be used are those outlined below:

(a) Bonds, Debentures, Treasury Bills and Notes

(i) Bonds, debentures, treasury bills and other securities of or guaranteed by the Government of Canada, of the United Kingdom, of the United States of America ~~or guaranteed by any province of Canada~~and of any other national foreign government (provided such foreign government securities are currently rated Aaa or AAA by Moody's Investors Services Inc. or Standard & Poor's Corporation, respectively), maturing (or called for redemption):

within 1 year	1% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	5% of market value

(ii) ~~All other bonds, debentures and notes~~Bonds, debentures, treasury bills and other securities of or guaranteed by any province of Canada and obligations of the International Bank for Reconstruction and Development, maturing (or called for redemption):

within 1 year	~~3~~2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	~~10~~5% of market value

(iii) Bonds, debentures or notes (not in default) of or guaranteed by any municipal corporation in Canada or the United Kingdom maturing:

within 1 year	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	5% of market value

(iv) Other non-commercial bonds and debentures (not in default):

10% of market value

(v) All other bonds, debentures and notes:

within 1 year	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	10% of market value

(b) Bank Paper

Deposit certificates, promissory notes or debentures issued by a Canadian chartered bank (and of Canadian chartered bank acceptances) maturing:

within 1 year	2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	10% of market value

(c) Mutual Funds

Securities of mutual funds qualified by prospectus for sale in any province of Canada shall be margined at the following rates:

Money Market Funds (as defined in NI81-102) - 5% of market value.

All Other Mutual Funds - 50% of market value.

(d) Stocks

On securities (other than bonds and debentures) including rights and warrants listed on any recognized stock exchange in Canada or the United States:

Long Positions - Margin Required

Securities selling at $2.00 or more - 50% of market value

Securities selling at $1.75 to $1.99 - 60% of market value

Securities selling at $1.50 to $1.74 - 80% of market value

Securities selling under $1.50 - 100% of market value

Short Positions - Credit Required

Securities selling at $2.00 or more - 150% of market value

Securities selling at $1.50 to $1.99 - $3.00 per share

Securities selling at $0.25 to $1.49 - 200% of market value

Securities selling at less than $0.25 - market value plus $0.25 per share

(e) FOR ALL OTHER SECURITIES - 100%.

2. Schedule 1 summarizes **all** securities owned and sold short by the categories indicated. Details that must be included for each category are total long market value, total short market value and total margin required as indicated.

3. The Examiners and/or Auditors of the Corporation~~MFDA~~ may request additional details of securities owned or sold short as they, in their discretion, believe necessary.

Line 1 - Money market shall include Canadian & US Treasury Bills, Bankers Acceptances, Bank paper (Domestic & Foreign), Municipal and Commercial Paper or other similar instruments.

~~DATE: _____~~ ~~SCHEDULE 2~~

~~**PART II**~~
~~**MFDA FINANCIAL QUESTIONNAIRE AND REPORT**~~
FORM 1, PART II – SCHEDULE 2

DATE: _____

_____
(Member~~Firm~~ Name)

ANALYSIS OF CLIENTS' DEBIT BALANCES

~~Advanced Redemption Proceeds Receivable~~ ~~Other Client Receivables [attach details]~~

~~1. Non-registered accounts ..... _ _ _ _ _ _ _ _ _ _ _ _ _ _ _~~

~~2. RRSP and other registered accounts ..... _ _ _ _ _ _ _ _ _ _ _ _ _ _ _~~

~~3. TOTAL ..... $_____ $_____~~

~~A-12~~ ~~Note 2~~

Line		Advanced Redemption Proceeds Receivable	Other Client Receivables	Client Debit Balances
		[a]	[b]	[c] = [a] + [b]
		C$	C$	C$
1.	Non – registered accounts			
2	RRSP and other registered accounts			
3	TOTAL			
				A-13

SUPPLEMENTARY DISCLOSURE:
NAME OF RRSP TRUSTEE(S)

1. _____

2. _____

3. _____

4. _____

FORM 1, PART II – SCHEDULE 2
NOTES: AND INSTRUCTIONS

1. Rule 3.2.1 prohibits Members from lending or extending credit to a client unless the Member is in compliance with Rule 3.2.3 which provides for the advancement of redemption proceeds.

~~2. Receivables from clients are non-allowable assets and are to be reported on Statement A line 18.~~

Supplementary Disclosure:
The name of the RRSP trustee(s) used by the Member must be provided. The RRSP or other similar balances held at a trustee must be insured by the Canada Deposit Insurance Corporation (CDIC) or Quebec Deposit Insurance Corporation (QDIC).

DATE: _____ SCHEDULE 3

PART II
MFDA FINANCIAL QUESTIONNAIRE AND REPORT FORM 1, PART II – SCHEDULE 3

DATE: _____

_____
(MemberFirm Name)

CURRENT INCOME TAXES

A.	**INCOME TAX PAYABLE (RECOVERABLE) INCOME TAX LIABILITY (ASSET)**		**C$**	**C$**
1.	Balance payable (recoverable) at last periodyear-end			$
2.	(a)	Payments (made) or received relating to above balance	$	
	(b)	Adjustments, including reassessments, relating to prior periods *[giveprovide details if significant]*		
3.	Total adjustment to prior periods' years' payable (recoverable) taxes during current periodyear			
4.	Subtotal *[add or subtract line 3 from line 1]*			
5.	Provision for (recovery of) taxes, including Income tax expense taxes on extraordinary items – current(recovery)		D-2822 (a)	
6.	less: Current installments			
7.	Other adjustments *[giveprovide details if significant]*			
8.	Total adjustment for current year's taxestax liabilities (assets)			
9.	TOTAL PAYABLE (RECOVERABLE) LIABILITY (ASSET)*[add or subtract line 8 from line 4]*			$
				A-8 -- if recoverableasset A-248 -- if payableliability

B. ANALYSIS OF FUTURE INCOME TAXES

		Debit	Credit re Current assets and liabilities	Credit re Non-current assets and liabilities
1.	Unrealized - Trading	$ _____	$ _____	$ _____
	- Commission	_____	_____	_____
2.	CCA/Depreciation	_____	_____	_____
3.	Other *[give details]*.....	_____	_____	_____
4.	TOTAL FUTURE INCOME TAXES.....	$_____	$_____	$_____
		A-18 Details	A-25	A-32

~~DATE: _____~~

~~**PART II**~~
~~**MFDA FINANCIAL QUESTIONNAIRE AND REPORT**~~ **FORM 1, PART II – SCHEDULE 4**

DATE: _____

_____
(Member~~Firm~~ Name)

INSURANCE

PART A. FINANCIAL INSTITUTION BOND (FIB) CLAUSES (A) TO (E) **C$**

1. Minimum coverage required for each clause:

LEVEL 1, 2 OR 3 DEALERS

(a) Lesser of $50,000 per Approved Person or $200,000 _ _ _ _ _ _ _

(b) Allowable assets (A-11~~2~~)$========== x 1% _ _ _ _ _ _ _

Greater of (a) and (b) above **$==========**

The actual coverage required for each clause is the greater of (a)and (b) above to a maximum requirement of $25,000,000.

LEVEL 4 DEALERS

(a) Minimum coverage of $500,000

(b) Total client cash and securities held by the Member $========== x 1% _ _ _ _ _ _ _

(c) Allowable assets (A-11~~2~~) $========== x 1% _ _ _ _ _ _ _

Greater of (a), (b) and (c) above **$==========**

The actual coverage required for each clause is the greater of (a), (b) and (c) above to a maximum requirement of $25,000,000.

2. Coverage maintained per FIB _ _ _ _ _ _ _ *[Notes 3&7]*

3. Excess / (Deficiency) in coverage $========== *[Note 4]*

4. Amount deductible under FIB (*greatest under any clause)* $========== *[Note 5]*

B-10~~1~~

PART B. REGISTERED MAIL INSURANCE

1. Coverage per mail policy $========== *[Note 6]*

PART C. FIB AND REGISTERED MAIL POLICY INFORMATION *[Note 8]*

Insurance Company	Name of the Insured	FIB/ Registered Mail	Expiry Date	Coverage	Premium

~~DATE: _____~~

~~PART II~~
~~MFDA FINANCIAL QUESTIONNAIRE AND REPORT~~FORM 1, PART II – SCHEDULE 4

_____
(Member~~Firm~~ Name)

INSURANCE

PART D. LOSSES AND CLAIMS *[Note 9]*

Date of Loss	Date of Discovery	Amount of Loss	Deductible Applying to Loss	Description	Claim Made?	Settlement	Date Settled

FORM 1, PART II – SCHEDULE 4
NOTES AND INSTRUCTIONS

1. Member firms must maintain minimum insurance in type and amounts as outlined in the By-laws, Rules and Policies of the Corporation~~MFDA and the MFDA Investor Protection Corporation~~.

2. Schedule 4 must be completed at the audit date.

3. The amounts of insurance required to be maintained by a Member firm shall as a minimum be by way of a Financial Institution Bond with a double aggregate limit or a provision for full reinstatement.

   For Financial Institution Bond policies containing an "aggregate limit" coverage, the actual coverage maintained should be reduced by the amount of reported loss claims, if any, during the policy period.

   Cash and securities held by a Member in its capacity as agent for the trustee must be included in the determination of total client cash and securities held by the Member.

4. The Certificate of Partners or Directors contains a question pertaining to the adequacy of insurance coverage. The Auditors' Report requires the auditor to state that the question has been fairly answered. The Corporation~~MFDA~~ Rules also state: "Should there be insufficient coverage, firms shall be deemed to be complying with this Rule 4 provided that any such deficiency does not exceed 10% of the insurance requirement and that evidence is furnished within two months of the dates of completion of the monthly operations questionnaire and annual audit that the deficiency has been corrected. If the deficiency is 10% or more of the insurance requirement, action must be taken by the Member to correct the deficiency within 10 days of its determination and the Member shall immediately notify the Corporation~~MFDA~~."

5. A Financial Institution Bond maintained pursuant to the MFDA Rules may contain a clause or rider stating that all claims made under the bond are subject to a deductible, provided that the firm's margin requirement is increased by the amount of the deductible.

6. Every ~~MFDA~~ Member firm shall effect and keep in force Mail Insurance against loss arising by reason of any outgoing shipments of money, securities, or other property negotiable or non-negotiable, by first-class mail, registered mail, registered air mail, express or air express, such insurance to provide at least 100% coverage.

7. The aggregate value of securities in transit in the custody of any employee or any person acting as a messenger shall not at any time exceed the coverage per the Financial Institution Bond (Schedule 4, line 2).

8. List all Financial Institution Bond and Registered Mail underwriters, policies, coverage and premiums indicating their expiry dates. State type of aggregate limits, if applicable, or note that provision for full reinstatement exists.

9. List all losses reported to the insurers or their authorized representatives including those losses that are less than the amount of the deductible. Do not include lost document bond claims. Indicate in the "Amount of Loss" column if the amount of the loss is estimated or unknown as at the reporting date.

   Losses should continue to be reported on Schedule 4 Part D until resolved. In the reporting period where a claim has been settled or a decision has been made not to pursue a claim, the loss should be listed along with the amount of the settlement, if any.

   At the annual audit date, list all unsettled claims, whether or not the claims were initiated in the period under audit. In addition, list all losses and claims identified in the current or previous periods that have been settled during the period under audit.

~~DATE: _____~~

~~PART II~~
~~MFDA FINANCIAL QUESTIONNAIRE AND REPORT~~ FORM 1, PART II – SCHEDULE 5

DATE: _____

_____
(Member~~Firm~~ Name)

EARLY WARNING TESTS

				Early Warning
A.	**CAPITAL DEFICIENCY**			
B-18	**Is RAC less than 0?**			_____ **YES/NO**
B.	**LIQUIDITY TEST**			
C-4	**Is Early Warning Excess less than 0?**			_____ **YES/NO**
C.	**PROFITABILITY TEST** *(note 3)*			
	1.	Loss for current quarter	$==========	
B-~~16~~18	2.	RAC *[at questionnaire date]*	$==========	
	Is line 2 less than line 1?			_____ **YES/NO**
D.	**FREQUENCY PENALTY**			
	Has the Member triggered Early Warning more than 2 times in the past 12 months?			_____ **YES/NO**

~~STATEMENT C~~ FORM 1, PART II – SCHEDULE 5
NOTES AND INSTRUCTIONS

1. The objective of the various Early Warning Tests is to measure characteristics likely to identify a firm heading into financial trouble and to impose restrictions and sanctions to reduce further financial deterioration and prevent a subsequent capital deficiency. "Yes" answers indicate Early Warning has been triggered.

   ~~If the firm is currently capital deficient (i.e. risk adjusted capital is negative), only Part A of the early warning tests need be completed.~~

2. The profit or loss figures to be used are before asset revaluation income and expense, bonuses, and income tax ~~expensees and extraordinary items~~ [Statement D, line 22 – Profit (loss) for Early Warning test~~20~~]. Note that the "current quarter" figure must also reflect any audit adjustments made subsequent to the filing of the ~~Monthly Financial Report.~~monthly FQR.

3. If the current quarter is profitable, enter a "No" answer for Part C.

FORM 1, PART II – SCHEDULE 6

_____

(Member Name)

DATE: _____

OTHER SUPPLEMENTARY INFORMATION

1. Number of salespersons

   (a) Registered only in Quebec…….. _____

   (b) Registered outside Quebec……. _____

   Total…….. _____

2. Assets Under Administration at statement date…… _____

FORM 1, PART II – SCHEDULE 6
NOTES AND INSTRUCTIONS

1. For individuals licensed in Quebec and also licensed in any other province, report on (b).

2. Assets under Administration means the market value of all mutual funds reflected in the client accounts (nominee and client name) of a Member in all provinces of Canada, excluding Quebec.

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