The Ontario Securities Commission

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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)

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September 26, 2011

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

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

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Ontario Securities Commission
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Vern Krishna	—	VK
Christopher Portner	—	CP
Judith N. Robertson	—	JNR
Charles Wesley Moore (Wes) Scott	—	CWMS

SCHEDULED OSC HEARINGS

September 26, 2011 10:00 a.m.	**Global Energy Group, Ltd., New Gold Limited Partnerships, Christina Harper, Howard Rash, Michael Schaumer, Elliot Feder, Vadim Tsatskin, Oded 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: CP
September 26, 2011 10:00 a.m.	**Global Energy Group, Ltd., New Gold Limited Partnerships, Christina Harper, Vadim Tsatskin, Michael 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: CP
September 26, 2011 10:00 a.m.	**Normand Gauthier, Gentree Asset Management Inc., R.E.A.L. Group Fund III (Canada) LP, and CanPro Income Fund I, LP** s. 127 B. Shulman in attendance for Staff Panel: JEAT

September 28, 2011 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: CP
September 28, 2011 11:00 a.m.	**Zungui Haixi Corporation** s. 127 C. Rossi in attendance for Staff Panel: JEAT
September 28-29, and October 4, 2011 10:00 a.m. September 30, 2011 9:30 a.m. October 3, 2 011 2:30 p.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: VK/MCH
September 29, 2011 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 M. Vaillancourt in attendance for Staff Panel: JEAT
September 30, 2011 10:00 a.m.	**North American Financial Group Inc., North American Capital Inc., Alexander Flavio Arconti, and Luigino Arconti** s. 127 M. Vaillancourt in attendance for Staff Panel: JEAT
October 3, 2011 9:30 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: JEAT
October 3-7 and October 12-21, 2011 10:00 a.m.	**FactorCorp Inc., FactorCorp Financial Inc. and Mark Twerdun** s. 127 C. Price in attendance for Staff Panel: CP
October 3-6 and October 12, 2011 10:00 a.m.	**Innovative Gifting Inc., Terence Lushington, Z2A Corp., and Christine Hewitt** s. 127 M. Vaillancourt in attendance for Staff Panel: PLK

October 5, 2011 10:00 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: TBA
October 11, 2011 2:30 p.m.	**Global Consulting and Financial Services, Crown Capital Management Corporation, Canadian Private Audit Service, Executive Asset Management, Michael Chomica, Peter Siklos (Also Known As Peter Kuti), Jan Chomica, and Lorne Banks** s. 127 H. Craig/C. Rossi in attendance for Staff Panel: CP
October 13, 2011 10:00 a.m.	**Portus Alternative Asset Management Inc., Portus Asset Management Inc., Boaz Manor, Michael Mendelson, Michael Labanowich and John Ogg** s. 127 H Craig in attendance for Staff Panel: JEAT
October 17-24 and October 26-31, 2011 10:00 a.m.	**Richvale Resource Corp., Marvin Winick, Howard Blumenfeld, John Colonna, Pasquale Schiavone, and Shafi Khan** s. 127(7) and 127(8) C. Johnson in attendance for Staff Panel: EPK
October 31, 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 H. Craig in attendance for Staff Panel: MGC
October 31 – November 3, 2011 10:00 a.m.	**QuantFX Asset Management Inc., Vadim Tsatskin, Lucien Shtromvaser and Rostislav Zemlinsky** s. 127 C. Rossi in attendance for Staff Panel: JDC
November 7, 2011 10:00 a.m.	**Application for Reactivation of Sanjiv Sawh and Vlad Trkulja** s. 8(2) R. Goldstein/S. Horgan in attendance for Staff Panel: MGC/JNR
November 7, November 9-21, November 23-December 2, 2011 10:00 a.m.	**Majestic Supply Co. Inc., Suncastle Developments Corporation, Herbert Adams, Steve Bishop, Mary Kricfalusi, Kevin Loman and CBK Enterprises Inc.** s. 37, 127 and 127.1 D. Ferris in attendance for Staff Panel: EPK/PLK

November 14-21 and November 23-28, 2011 10:00 a.m.	**Shaun Gerard McErlean, Securus Capital Inc., and Acquiesce Investments** s. 127 M. Britton in attendance for Staff Panel: VK
November 21, 2011 10:00 a.m.	**Investment Industry Regulatory Organization Of Canada v. Mark Allen Dennis** S. 21.7 S. Horgan in attendance for Staff Panel: MGC
November 23, 2011 10:00 a.m.	**American Heritage Stock Transfer Inc., American Heritage Stock Transfer, Inc., BFM Industries Inc., Denver Gardner Inc., Sandy Winick, Andrea Lee McCarthy, Kolt Curry and Laura Mateyak** s. 127 J. Feasby in attendance for Staff Panel: CP
December 1, 2011 10:00 a.m.	**MBS Group (Canada) Ltd., Balbir Ahluwalia and Mohinder Ahluwalia** s. 37, 127 and 127.1 C. Rossi in attendance for staff Panel: JEAT
December 1-5 and December 7-15, 2011 10:00 a.m.	**Marlon Gary Hibbert, Ashanti Corporate Services Inc., Dominion International Resource Management Inc., Kabash Resource Management, Power to Create Wealth Inc. and Power to Create Wealth Inc. (Panama)** s. 127 S. Chandra in attendance for Staff Panel: JDC
December 5 and December 7-16, 2011 10:00 a.m.	**L. Jeffrey Pogachar, Paola Lombardi, Alan S. Price, New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc., New Life Capital Strategies Inc., 1660690 Ontario Ltd., 2126375 Ontario Inc., 2108375 Ontario Inc., 2126533 Ontario Inc., 2152042 Ontario Inc., 2100228 Ontario Inc., and 2173817 Ontario Inc.** s. 127 M. Britton in attendance for Staff Panel: EPK/PLK
December 7, 2011 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: TBA
December 19, 2011 9:00 a.m.	**New Hudson Television Corporation, New Hudson Television L.L.C. & James Dmitry Salganov** s. 127 C. Watson in attendance for Staff Panel: MGC
December 19, 2011 10:00 a.m.	**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/C. Watson in attendance for Staff Panel: VK/EPK

January 3-10, 2012 10:00 a.m.	**Simply Wealth Financial Group Inc., Naida Allarde, Bernardo Giangrosso, K&S Global Wealth Creative Strategies Inc., Kevin Persaud, Maxine Lobban and Wayne Lobban** s. 127 and 127.1 C. Johnson in attendance for Staff Panel: JDC
January 18-23, 2012 10:00 a.m.	**Peter Beck, Swift Trade Inc. (continued as 7722656 Canada Inc.), Biremis, Corp., Opal Stone Financial Services S.A., Barka Co. Limited, Trieme Corporation and a limited partnership referred to as "Anguilla LP"** s. 127 B. Shulman in attendance for Staff Panel: TBA
January 18-30 and February 1-10, 2012 10:00 a.m.	**Global Energy Group, Ltd., New Gold Limited Partnerships, Christina Harper, Vadim Tsatskin, Michael 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: TBA
January 26-27, 2012 10:00 a.m.	**Empire Consulting Inc. and Desmond Chambers** s. 127 D. Ferris in attendance for Staff Panel: TBA
February 1-13, February 15-17 and February 21-23, 2012 10:00 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: TBA
February 15-17, 2012 10:00 a.m.	**Maitland Capital Ltd., Allen Grossman, Hanoch Ulfan, Leonard Waddingham, Ron Garner, Gord Valde, Marianne Hyacinthe, Dianna Cassidy, Ron Catone, Steven Lanys, Roger McKenzie, Tom Mezinski, William Rouse and Jason Snow** s. 127 and 127.1 D. Ferris in attendance for Staff Panel: TBA
February 29 – March 12 and March 14-March 21, 2012 10:00 a.m.	**Ameron Oil and Gas Ltd., MX-IV Ltd., Gaye Knowles, Giorgio Knowles, Anthony Howorth, Vadim Tsatskin, Mark Grinshpun, Oded Pasternak, and Allan Walker** s. 127 H. Craig/C. Rossi in attendance for Staff Panel: TBA

March 8, 2012 10:00 a.m.	**Energy Syndications Inc., Green Syndications Inc., Syndications Canada Inc., Land Syndications Inc. and Douglas Chaddock** s. 127 C. Johnson in attendance for Staff Panel: TBA	
March 12, March 14-26, and March 28, 2012 10:00 a.m.	**David M. O'Brien** s. 37, 127 and 127.1 B. Shulman in attendance for Staff Panel: TBA	
April 2-5, April 9, April 11-23 and April 25-27, 2012 10:00 a.m.	**Bernard Boily** s. 127 and 127.1 M. Vaillancourt/U. Sheikh in attendance for Staff Panel: TBA	
April 30-May 7, May 9-18 and May 23-25, 2012 10:00 a.m.	**Rezwealth Financial Services Inc., Pamela Ramoutar, Justin Ramoutar, Tiffin Financial Corporation, Daniel Tiffin, 2150129 Ontario Inc., Sylvan Blackett, 1778445 Ontario Inc. and Willoughby Smith** s. 127(1) and (5) A. Heydon 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		**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		**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/C. Rossi 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 **Shane Suman and Monie Rahman**

s. 127 and 127(1)

C. Price in attendance for Staff

Panel: TBA

TBA **Gold-Quest International, Health and Harmoney, Iain Buchanan and Lisa Buchanan**

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA **Brilliante Brasilcan Resources Corp., York Rio Resources Inc., Brian W. Aidelman, Jason Georgiadis, Richard Taylor and Victor York**

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA **Abel Da Silva**

s. 127

C. Watson in attendance for Staff

Panel: TBA

TBA **Paul Azeff, Korin Bobrow, Mitchell Finkelstein, Howard Jeffrey Miller and Man Kin Cheng (a.k.a. Francis Cheng)**

s. 127

T. Center/D. Campbell in attendance for Staff

Panel: TBA

TBA **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

A. Perschy/C. Rossi in attendance for Staff

Panel: TBA

TBA **Merax Resource Management Ltd. carrying on business as Crown Capital Partners, Richard Mellon and Alex Elin**

s. 127

T. Center in attendance for Staff

Panel: TBA

TBA **Alexander Christ Doulis (aka Alexander Christos Doulis, aka Alexandros Christodoulidis) and Liberty Consulting Ltd.**

s. 127

S. Horgan in attendance for Staff

Panel: TBA

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

s. 127

H. Craig/C.Rossi in attendance for Staff

Panel: TBA

TBA **Paul Donald**

s. 127

C. Price in attendance for Staff

Panel: TBA

TBA

Axcess Automation LLC, Axcess Fund Management, LLC, Axcess Fund, L.P., Gordon Alan Driver, David Rutledge, 6845941 Canada Inc. carrying on business as Anesis Investments, Steven M. Taylor, Berkshire Management Services Inc. carrying on business as International Communication Strategies, 1303066 Ontario Ltd. Carrying on business as ACG Graphic Communications, Montecassino Management Corporation, Reynold Mainse, World Class Communications Inc. and Ronald Mainse

s. 127

Y. Chisholm in attendance for Staff

Panel: TBA

TBA

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

TBA

Goldpoint Resources Corporation, Pasqualino Novielli also known as Lee or Lino Novielli, Brian Patrick Moloney also known as Brian Caldwell, and Zaida Pimentel also known as Zaida Novielli

s. 127(1) and 127(5)

C. Watson in attendance for Staff

Panel: TBA

TBA

Lehman Brothers & Associates Corp., Greg Marks, Kent Emerson Lounds and Gregory William Higgins

s. 127

C. Rossi in attendance for Staff

Panel: TBA

TBA

Peter Sbaraglia

s. 127

S. Horgan/P. Foy in attendance for Staff

Panel: TBA

TBA

Crown Hill Capital Corporation and Wayne Lawrence Pushka

s. 127

A. Perschy in attendance for Staff

Panel: TBA

TBA

Ground Wealth Inc., Armadillo Energy Inc., Paul Schuett, Doug DeBoer, James Linde, Susan Lawson, Michelle Dunk, Adrion Smith, Bianca Soto and Terry Reichert

s. 127

S. Schumacher in attendance for Staff

Panel: TBA

TBA

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)

H. Craig in attendance for Staff

Panel: TBA

TBA

Heir Home Equity Investment Rewards Inc.; FFI First Fruit Investments Inc.; Wealth Building Mortgages Inc.; Archibald Robertson; Eric Deschamps; Canyon Acquisitions, LLC; Canyon Acquisitions International, LLC; Brent Borland; Wayne D. Robbins; Marco Caruso; Placencia Estates Development, Ltd.; Copal Resort Development Group, LLC; Rendezvous Island, Ltd.; The Placencia Marina, Ltd.; and The Placencia Hotel and Residences Ltd.

s. 127

A. Perschy / B. Shulman in attendance for Staff

Panel: TBA

TBA

Sino-Forest Corporation, Allen Chan, Albert Ip, Alfred C.T. Hung, George Ho and Simon Yeung

s. 127

A. Perschy/H. Craig in attendance for Staff

Panel: TBA

TBA

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

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

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

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

1.1.2 OSC Staff Notice 33-736 – 2011 Annual Summary Report for Dealers, Advisers and Investment Fund Managers

OSC Staff Notice 33-736 – *2011 Annual Summary Report for Dealers, Advisers and Investment Fund Managers* is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Staff Notice.

ONTARIO SECURITIES COMMISSION

OSC Staff Notice 33-736

2011

Annual Summary Report for Dealers, Advisers and Investment Fund Managers

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Introduction

OSC ONTARIO SECURITIES COMMISSION

Introduction

This report provides information for dealers, advisers and investment fund managers that are regulated by the OSC, to help them comply with their regulatory obligations under Ontario securities law. It was prepared by the OSC's Compliance and Registrant Regulation (CRR) Branch, which registers and oversees approximately 1,250 firms and 65,000 individuals in Ontario that trade or advise in securities or commodity futures, or act as an investment fund manager (collectively, registrants). The OSC also registers firms and individuals in the category of mutual fund dealer and firms in the category of investment dealer that are directly overseen by their self-regulatory organization (SRO), the Mutual Fund Dealers Association of Canada (MFDA) or the Investment Industry Regulatory Organization of Canada (IIROC), respectively.

This report primarily covers the OSC's 2011 fiscal year (April 1, 2010 to March 31, 2011), with updates to make the information current. It includes trends in deficiencies from compliance reviews of registrants (and suggested practices to address them), new and proposed rules and initiatives impacting registrants, and information to assist firms and individuals applying for registration. We also provide an update on the new regime for registrants, the OSC's response to global financial developments, our focus on registrant misconduct, and how registrants can get more information on their obligations.

For the 2012 fiscal year, the OSC's key strategies for registrants include:

- continuing to implement the new registrant regime
- strengthening our registrant oversight and compliance presence
- continuing to build our approach to registrant misconduct
- creating new policy in high priority areas, and
- modernizing and coordinating our approach to securities regulation.

This report describes what we are doing to fulfill these strategies.

We encourage registrants to use this report to improve their understanding of:

- initial and ongoing registration and compliance requirements
- our expectations of registrants and our interpretation of regulatory requirements, and
- new and proposed rules and other regulatory initiatives.

We also suggest registrants use this report as a self-assessment tool to strengthen their compliance with Ontario securities law, and to improve their systems of internal controls and supervision.[1]

[1] The content of this report is provided as guidance for information purposes and not as advice. We recommend that you seek advice from a qualified professional adviser before acting on any information in this report, or on any web site to which this report is linked.

1. New regime for registrants

1. New regime for registrants

1.1 Implementation of new regime

In the fall of 2009, National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) came into force and introduced a new national regime for registrants that is harmonized, streamlined and modernized. We have been focused on assessing compliance by registrants with their capital, proficiency, conduct and practices requirements, and other ongoing registrant obligations that came into force through NI 31-103 and related rules and amendments to the *Securities Act* (Ontario) (the Act). We introduced the new regime for registrants together with other members of the Canadian Securities Administrators (CSA), and we continue to work with them on implementing its requirements in a harmonized manner.

Our implementation work includes assessing whether investment fund managers and exempt market dealers are appropriately registered in their new categories, and that registered individuals meet their new proficiency requirements. We have also been active in reviewing exemptive relief applications, including many involving new issues, such as foreign broker-dealers applying for registration as exempt market dealers (see section 4.2 of this report). Further, we have continued to perform on-site compliance reviews to assess adherence with the new regime for registrants, as well as performing desk reviews to assess capital adequacy. Given the impact of the new regime and the changes to registrants' ongoing obligations, we continue to work with registrants so they understand their requirements and can develop appropriate procedures for compliance.

1.2 Ongoing amendments to new regime for registrants

When we first implemented the new regime for registrants, we indicated that we would propose amendments if investor protection, market efficiency or other regulatory concerns arose. We anticipated that these amendments would be necessary as we gained operational experience with the new regime. Following our monitoring of the implementation of the new regime and based on continued discussions with stakeholders about questions and concerns regarding their practical experience working with the new regime, we published proposed amendments to NI 31-103 and related rules for comment in June 2010.

Working with the CSA, we have now implemented amendments to the new regime and have updated the regulatory framework for firms and individuals who deal in securities, provide investment advice or manage investment funds. On April 15, 2011, the CSA published amendments to NI 31-103, its

companion policy (31-103CP), as well as to National Instrument 33-109 *Registration Information* (NI 33-109) and its companion policy. In addition, we also published amendments to OSC Rule 33-506 *(Commodity Futures Act) Registration Information* that mirror the amendments made to NI 33-109.

The amendments came into force in all Canadian jurisdictions on July 11, 2011, and range from technical adjustments to more substantive matters. The revised rules codify current exemption orders and answers to frequently asked questions, provide new filing timelines, refine certain exemptions, and provide extended transition periods in respect of certain requirements. New guidance and clarifications have also been added to improve the framework and to reflect the changeover to International Financial Reporting Standards. We also added *Ongoing Registrant Obligations* to the title of NI 31-103 to better reflect the rule's breadth and scope, which includes initial registration and requirements for ongoing registrant conduct and compliance.

The following highlights some of the key changes for all registrants, and those specific to dealers, advisers, and investment fund managers.

All registrants

- added an explicit restriction on an individual registered with one firm from being registered with another registered firm
- revised the registration requirements for individuals, including time limits on examination requirements and initial and ongoing proficiency
- extended the notice of change filing requirements in NI 33-109 from 7 days to 10 days
- extended the transition period by one year for certain registered firms to make available to their clients independent dispute resolution or mediation services (except in Québec)

Dealers and advisers

- increased from 10% to 25% the beneficial ownership and control thresholds related to the know your client obligation to identify certain shareholders of corporate clients
- clarified the guidance on the incidental activities in respect of merger and acquisition specialists
- clarified the international dealer and international adviser registration exemptions

Investment fund managers

- added a requirement for certain investment fund managers to send trade confirmations to security holders when they execute redemption orders received directly from security holders
- added a limited exception from the restriction on lending to clients for investment fund managers in respect of certain loans to investment funds they manage

- extended the transition period to September 28, 2012 in respect of the temporary exemption from registration in additional local jurisdictions for Canadian investment fund managers registered in their principal jurisdiction, and for foreign investment fund managers (see section 1.4 of this report)
- added guidance for investment fund managers to address situations where the board of directors or the trustee of a fund are directing an investment fund's business, operations or affairs, and guidance in the context of fund complexes and groups with more than one investment fund manager (see section 4.2 of this report)

We think the amendments will enhance investor protection and improve the day-to-day operation of the new regime for both industry participants and regulators. In addition, we believe that the amendments will clarify our legislative intent. For more information, see Amended NI 31-103, NI 33-109 and OSC Rule 33-506.

1.3 Cost disclosure and performance reporting

The CSA, along with IIROC and the MFDA, have been working to develop requirements in a number of areas related to a client's relationship with a registrant. This initiative was previously referred to as the Client Relationship Model (CRM) project, which, as part of the new regime for registrants, developed requirements on relationship disclosure information delivered to clients at account opening, and comprehensive conflicts of interest requirements.

On June 22, 2011, we published proposed amendments on cost disclosure and performance reporting. If adopted, the amendments would introduce performance reporting requirements and enhance existing cost disclosure requirements in NI 31-103.

The purpose of the proposed amendments is to provide clients of all dealers and advisers, whether or not the registrant is a member of an SRO, with clear and complete disclosure of all charges associated with the products and services they receive, and meaningful reporting on how their investments have performed. They are also intended to provide investors with key information about their account and product-related charges and the compensation received by registrants. This information is to be provided at relevant times, such as at account opening, at the time a charge is incurred, and on an annual basis.

We expect that providing investors with clear and meaningful account performance reporting will help them in evaluating their account performance and provide them with the opportunity to make more informed decisions.

If the proposed amendments are adopted, they will result in investors receiving additional reporting from their registrant including:

- a new annual summary of all account-related and product charges, and other compensation received by the registered firm
- the original cost of each security added to account statements, and
- annual account performance reporting.

Furthermore, the proposed amendments are intended to improve investor protection and would:

- enhance the current disclosure of charges related to the operation of an account, and the making, holding and selling of investments
- enhance the current disclosure of the compensation received by a registered firm, particularly relating to charges such as trailing commissions and deferred sales charges, and
- provide guidance on inappropriate switch transactions and the resulting compensation received by registrants.

To help develop the proposals, the CSA requested feedback from investors to evaluate their understanding and expectations on account charges and performance reporting. This was done by surveying about 2,000 investors in July 2010. This investor research provided useful information on the type of information investors want to receive from their dealers and advisers, and also identified areas where investors need more guidance or disclosure. For more information, see *Report: Performance Reporting and Cost Disclosure*.

The CSA also consulted with dealers and advisers to gain insight into current industry performance reporting practices, and to identify issues and concerns with providing performance information. The consultations found that many registrants already provide some or all of the information required in the proposals to their clients or certain groups of their clients. However, some firms raised concerns about the potential cost, time and resources that would be required to prepare performance information, especially if systems need to be modified. The CSA is planning a phased introduction of the proposals to help address these concerns.

The CSA also developed a sample performance report that reflects the account performance reporting proposals. This document was tested on a one-on-one basis with investors, dealers and advisers to obtain reactions on its usefulness, clarity and overall appeal. For more information, see *Canadian Securities Administrators Performance Report Testing*.

The CSA continues to consider whether all securities held at issuers in "client name" should be included in account statements. The CSA has determined that more work needs to be done, so further research with investors is being conducted on their understanding and expectations about reporting on their security holdings. As well, further research with industry participants will be conducted to better understand the risks, benefits and constraints of reporting on clients' security holdings and how they should be disclosed.

For more information, see Notice of and Request for Comment on Proposed Amendments to NI 31-103 and 31-103CP: Cost Disclosure and Performance Reporting.

1.4 Registration of non-resident investment fund managers

The new regime for registrants introduced a registration requirement for every firm that directs the business, operations or affairs of an investment fund. All investment fund managers operating in Canada prior to September 28, 2009 were required to apply for registration in the jurisdiction where their head office is located by September 28, 2010.

We continue to work with other CSA members to determine how the investment fund manager registration requirement applies to non-resident investment fund managers, which includes:

- international investment fund managers who carry out investment fund management activities outside of Canada, and
- domestic investment fund managers with a head office in one province or territory who carry out investment fund management activities in other provinces or territories.

On October 15, 2010, the CSA published for comment proposed amendments to NI 31-103 on the registration of non-resident investment fund managers. Under the proposed amendments, a non-resident investment fund manager of an investment fund would need to be registered in a province or territory if:

- the investment fund has security holders resident in that province or territory, and
- the investment fund manager has actively solicited residents in that province or territory to purchase securities of the fund.

We proposed certain exemptions for investment fund managers if the investment funds they manage are only distributed to permitted clients, provided certain other conditions are met. A grandfathering exemption was also proposed for those investment fund managers that have not actively solicited local residents after September 28, 2011.

The CSA continues to review the pending amendments and address issues raised through the public comment process. In the meantime, the temporary exemptions from the investment fund manager registration requirement for non-resident investment fund managers have been extended to September 28, 2012.

For more information, see Notice of and Request for Comment on Proposed Amendments to NI 31-103: Registration of International and Certain Domestic Investment Fund Managers.

2. Responding to global financial developments

2. Responding to global financial developments

2.1 Over-the-counter derivatives regulation

Over-the-counter (OTC) derivatives are financial contracts such as options, forwards and swaps that do not trade on an exchange. Proposals are being developed by the CSA to significantly enhance the regulation of OTC derivatives in Canada and to manage the risks they pose. This initiative is part of Canada's G20 commitments to develop more robust oversight of the financial markets, including OTC derivatives, as a result of the recent global financial crisis. To start, the CSA published in November 2010 CSA Consultation Paper 91-401 *Over-the-Counter Derivatives Regulation in Canada* (CP 91-401) for comments. This paper outlined a number of recommendations, including:

- mandatory reporting of all derivatives trades by Canadian counterparties to a trade repository
- provincial regulators obtaining authority to mandate electronic trading of OTC derivatives products where appropriate
- mandatory central clearing of OTC derivatives where appropriate
- using a risk-based approach by imposing capital and collateral requirements to appropriately reflect the risks that an entity assumes, and
- establishing exemptions from the regulatory proposals in CP 91-401 for defined categories of end-users.

The CSA has reviewed the comments it received from CP 91-401 and will be publishing a series of eight additional consultation papers on specific aspects of OTC derivatives regulation that build on the proposals, including one on registration requirements and exemptions for OTC derivatives dealers and advisers. The OSC, led by our Derivatives Branch, is an active participant in these proposals.

2.2 Systemic risks potentially posed by hedge funds

Hedge funds continue to be a topic of interest among regulators around the world following the recent global financial crisis. The financial crisis illustrated that investment risk can spread across global economies, asset classes and capital structures. While hedge funds did not cause the financial crisis, the OSC and other regulators are taking a closer look at the role that they potentially play in spreading systemic risks through the markets.

Systemic risk is commonly viewed as the risk of a breakdown in the entire financial system caused by a chain reaction in which the failure of a firm or group of firms impacts other market

participants in the system. Systemic risk is not unique to hedge funds, but a large fund or group of funds can contribute to systemic risk to the extent they can transmit financial stress to other market participants. Hedge funds have the ability to take on leverage from borrowing and/or derivative transactions and have a wide array of interconnections, including prime broker arrangements and other counterparties.

In April 2009, G20 leaders committed to enhancing the oversight of hedge funds. Given the G20's particular interest in hedge funds, the International Organization of Securities Commissions established a task force (IOSCO Task Force) to focus on assessing systemic risks that hedge funds may pose globally. The OSC and other Canadian regulators are also considering the potential for systemic risks posed by the Canadian hedge fund industry.

The OSC has been engaged in this area of work both globally and in Canada. For example, in 2010, we undertook a data-gathering exercise by sending a survey to known hedge fund managers with a head office in Ontario. This exercise was part of a larger data-gathering initiative led by the IOSCO Task Force. The data collected from the survey provided us with information on the hedge funds in Ontario, and some insight into possible systemic risks in the hedge fund sector. The OSC continues to work with other Canadian regulators and agencies and IOSCO towards establishing principles for hedge fund regulation and on assessing systemic risks that hedge funds may pose both globally and in the Canadian context.

2.3 Fiduciary duty standard for dealers and advisers

We are considering whether an explicit legislative fiduciary duty standard should apply to dealers and advisers in Ontario. A fiduciary duty is essentially a duty to act in a client's best interest. In Ontario, section 116 of the Act applies a fiduciary duty to investment fund managers in their dealings with the investment funds they manage. However, there is no equivalent duty under the Act that explicitly applies a fiduciary duty to dealers and advisers in their dealings with their clients (although there is legislation that requires them to deal fairly, honestly and in good faith with their clients). Although there is no fiduciary legislation in Ontario, Canadian courts can find that a given dealer or adviser owes a fiduciary duty to his or her client. This may be the case, for example, if: (a) the client places significant trust and reliance on the dealer or adviser and the dealer or adviser accepts this responsibility, and (b) where the dealer or adviser has explicit (as in the case of a managed account) or implicit (as in the case of a non-managed account where the client essentially always follows the advice provided) power over the client.

Recently, there have been important international developments on the issue of fiduciary duty. In the United States, the Securities and Exchange Commission is expected to introduce rules in 2012 that would create a common statutory fiduciary duty for investment advisers and broker-dealers when they are providing personalized advice to retail clients. In Australia, the government is expected to introduce legislation in 2012 that will make advisers subject to a fiduciary duty when dealing with retail clients. In the United Kingdom, authorized firms are currently required to act honestly, fairly and professionally in accordance with the best interests of their retail clients. The OSC continues to monitor the fiduciary duty debate in Canada and internationally, as well as rule developments on this topic in the US, Australia and the UK.

3. Focusing on registrant misconduct

3. Focusing on registrant misconduct

3.1 Registrant conduct and risk analysis team

The CRR Branch's Registrant Conduct and Risk Analysis team was formed in early 2010 to develop timely responses to registrant misconduct. This team, which includes staff with prior experience working in the OSC's Enforcement Branch, supports the CRR Branch's other staff when they identify potential registrant misconduct, for example from an on-site compliance review of a registrant or when an individual with a history of misconduct applies for registration. Staff from this team will investigate the misconduct, assist in the formulation of our position when terms and conditions are applied or registration is suspended, and support the CRR Branch in matters resulting in opportunities to be heard (OTBH) before the Director. They also prepare registrant related cases that are referred to the OSC's Enforcement Branch.

This team also adopted negotiated settlements as a way of resolving matters with registrants or applicants for registration. Settlements reduce the number of contested OTBHs, allowing us to balance using our limited resources more efficiently while still meeting our investor protection mandate. Negotiated settlement agreements will be released on our web site and published in the OSC Bulletin (see section 3.2 below). Additionally, their adoption of "term suspensions" (i.e., suspensions for a predetermined period of time) was critical to developing a settlement process. Previously, the only remedies sought by us on an OTBH were indefinite suspensions or terms and conditions. Now, term suspensions provide a new flexibility when developing remedies.

3.2 Publishing decisions on registration matters

Our Registrant Conduct and Risk Analysis team also developed guidelines for increasing the transparency when the CRR Branch makes certain decisions on a firm's or individual's registration. On May 20, 2011, we published OSC Staff Notice 34-701 *Publication of Decisions of the Director on Registration Matters under Part XI of the Securities Act (Ontario) ("Opportunities to be Heard")* (OSC Notice 34-701). This notice introduces a new approach to the publication of OTBH decisions in both the OSC Bulletin and on the OSC's web site. Previously, only Director decisions in contested OTBHs were published. We determined that we could achieve increased transparency and investor protection by publishing decisions in situations where an OTBH is resolved through a negotiated settlement, or where registrant misconduct was identified and a recommendation made to the Director but the registrant elected not to request an OTBH.

Under the new approach, the following types of decisions will now be published:

- decisions approving joint recommendations to settle OTBHs where the result is a suspension of registration or the imposition of terms and conditions requiring strict supervision
- decisions to suspend a registrant where no OTBH has been requested, and
- decisions to impose terms and conditions requiring strict supervision where no OTBH has been requested.

For more information, see OSC Notice 34-701.

3.3 Strong regulatory response to registrant misconduct

We are vigilant when we find evidence of potential registrant misconduct or fraud. This is demonstrated by the fact that about 10% of our on-site compliance reviews of registered firms in each of the last two fiscal years resulted in referrals to the OSC's Enforcement Branch for investigation (see *Compliance review process and its outcomes* in section 5.1A of this report).

The CRR Branch has also pursued a number of cases of registrant misconduct which resulted in the suspension of firms' and individuals' registration or terms and conditions on their registration. Notable cases from the past year include:

- *Re Carter Securities Inc.* (September 22, 2010) and *Re Waterview Capital Corp.* (April 25, 2011): In both of these cases, which involved firms registered as exempt market dealers, staff recommended to the Director that the firm's registration be suspended based on allegations that included, among other things, misleading sales practices in the distribution of securities of related party issuers. The Director accepted staff's recommendations in both cases, following an OTBH. The *Carter* case was the first time a firm's registration was suspended using powers granted to the Director by the 2009 amendments to the Act.[2]

- *Re Sawh and Trkulja* (January 25, 2011): These individuals had previously run a small firm registered as both a mutual fund dealer and an exempt market dealer. The MFDA brought enforcement proceedings against these individuals and their firm for, among other things, selling certain prospectus-exempt securities to clients without assessing the suitability of those investments. Significant problems with the securities in issue later emerged, as it appeared that the issuers had not used investor funds as intended. The individuals settled the MFDA proceedings, and the terms of settlement included the closing of their firm. The individuals subsequently applied for registration as dealing representatives with another

[2] Carter Securities Inc. has applied for a review of the Director's decision by the Commission.

mutual fund dealer, and staff recommended to the Director that the applications be refused. Following an OTBH, the Director accepted staff's recommendation.[3]

- *Re Obasi* (March 4, 2011) and *Re DiPronio* (June 3, 2011): Mr. Obasi was registered as a scholarship plan dealing representative, and Mr. DiPronio was registered as a mutual fund dealing representative. In both cases, staff alleged that the registrants had forged certain client documents. The *DiPronio* case was settled on the basis that the registrant admitted his misconduct and agreed to a nine-month suspension of his registration. The *Obasi* case proceeded to an OTBH, following which the Director also imposed a nine-month suspension.

- *Re Mistry* (April 14, 2011): Staff interviewed Mr. Mistry, who was registered as an exempt market dealing representative, concerning his involvement in the apparent failure of an issuer of which he was a principal. During the interview, Mr. Mistry generally disclaimed any knowledge about the issuer's failure or the reasons for it. Following a subsequent investigation, staff determined that Mr. Mistry's level of knowledge about the events in question was greater than he had represented in the interview. As a result, staff recommended to the Director that Mr. Mistry's registration be suspended, and following an OTBH, the Director accepted this recommendation.

- *Re Royal Securities Corp*. (July 15, 2011): This case involves the first suspension of a portfolio manager by the Director. Staff obtained evidence that Royal Securities Corp., a firm registered as both an exempt market dealer and a portfolio manager, had engaged unregistered individuals to sell units of a high-risk investment fund managed by the firm. These individuals cold-called investors in Ontario and other provinces and made extravagant and misleading claims in order to sell units of the investment fund. Staff recommended to the Director that the firm's registration be suspended, along with the firm's principal, Ningyuan Guo (also known as Mark Guo). Mr. Guo requested an OTBH, but refused to attend on the scheduled date. As a result, staff's recommendation was accepted and both the firm and Mr. Guo were suspended.

For more information, see Director's Decisions.

[3] Sawh and Trkulja have applied for a review of the Director's decision by the Commission.

4. Information for firms and individuals applying for registration

OSC ONTARIO SECURITIES COMMISSION

4. Information for firms and individuals applying for registration

4.1 Risk-based approach to registration for individuals

Over the past year, we developed a risk-based approach to assess registration applications for individuals who are to be registered with a currently registered firm. This approach is designed to create operational efficiencies by focusing on those deficiencies in an application that may have an effect on the registration decision. This allows us to allocate resources where they will be of greatest value.

Our risk model takes into account whether an application evidences the three fundamental criteria for determining suitability for registration, which are integrity, proficiency and solvency. It also includes the sponsoring firm's track record of submitting error-free submissions and sponsoring suitable candidates for registration. We plan to refine our approach further to take into account firms with rigorous hiring practices and effective supervisory structures.

4.2 New trends in registration issues

Foreign broker-dealers applying as EMDs

We have recently learned that there may be a number of foreign broker-dealers registered as exempt market dealers (EMD) that are carrying out brokerage services for accredited investors on both foreign markets and Canadian markets. We understand that these are primarily broker-dealer firms registered in the United States that are members of the Financial Industry Regulatory Authority.

Additionally, over the last year, we have received a number of applications by firms seeking registration in the EMD category, and a large number of applications for exemptions from some of the provisions of NI 31-103, such as lending or providing margin, to facilitate a business model which includes brokerage activities, either conducted directly or indirectly.

We believe that the use of the EMD registration category for these activities raises serious policy issues to be considered by regulators and the industry. As a result, we published a CSA Staff Notice to outline our concerns and our interim response to these issues, and to advise that we will be examining these activities in a wider consultation and review process in order to assess whether market participants in Canadian securities markets are operating within a consistent regulatory framework and on a level playing field.

For more information, see CSA Staff Notice 31-327 *Broker-Dealer Registration in the Exempt Market Dealer Category*.

Trading or advising activities by a foreign bank representative office (FBRO)

An FBRO is the Canadian office of a foreign bank that is registered with and supervised by the Office of the Superintendent of Financial Institutions Canada (OSFI). FBROs are not permitted to carry on any banking activity in Canada other than promoting the services of the foreign bank and acting as a liaison between the foreign bank and its clients in Canada. However, FBROs may be permitted to be engaged in the business of trading or advising in securities in Ontario provided that they obtain OSFI approval and also comply with Ontario securities law, including registering with the OSC under an appropriate registration category or relying on a valid registration exemption.

Investments issued by Antigua-based Stanford International Bank (SIB) were sold to investors from SIB's former FBRO in Québec. This activity was part of an alleged international, multi-billion dollar investment fraud. In response, we completed a review of all 19 of the Ontario-based FBROs that were not registered with us to assess if they were in the business of trading or advising in securities in Ontario. At the same time, the Autorité des marchés financiers (AMF) reviewed the Québec-based FBROs.[4]

Our reviews of the Ontario-based FBROs did not find evidence of fraud. However, we identified concerns with some of the foreign banks' dealings with Ontario residents from their home country and/or their FBROs' activities, which may indicate that some of the foreign banks are in the business of trading or advising in securities in Ontario without registration with us or validly relying on a registration exemption. The AMF had similar findings for the Québec-based FBROs. We are following up with these FBROs in our respective jurisdictions to assess whether they have addressed our concerns.

Mortgage investment entities (MIE)

An MIE is a person or company whose purpose is to directly or indirectly invest substantially all of its assets in debts owing to it that are secured by mortgages, hypothecs or in any other manner on real property. An MIE's other assets are limited to bank deposits, cash, and certain debt securities, real property and hedging instruments.

[4] Ontario and Québec were the only Canadian jurisdictions where FBROs were located at the time of our review.

To clarify the registration requirements that apply to MIEs in each CSA jurisdiction, on February 25, 2011, the CSA published CSA Staff Notice 31-323 *Guidance Relating to the Registration Obligations of Mortgage Investment Entities* (CSA Notice 31-323).

We intend to monitor the application of registration requirements to MIEs operating in Ontario under different business models and structures, and we may review our position outlined in the notice if investor protection concerns are identified.

For more information, see CSA Notice 31-323.

Proficiency relief granted to registered individuals

We receive numerous exemption requests from proficiency requirements for chief compliance officers, advising representatives and dealing representatives. We have historically only published Director Decisions relating to proficiency which result from a contested "opportunity to be heard" in connection with the denial of an application for registration. As a result, very little guidance exists for registrants on alternative education and experience which the Director has accepted as being equivalent to, or more appropriate in the circumstances than, the applicable proficiency requirements in NI 31-103.

As part of our commitment to dealing transparently with our stakeholders (including investors and securities professionals), we are working with the CSA to develop a strategy for regularly publishing relevant information on the types of education and experience for which proficiency relief has or has not been granted.

Investment fund complexes or groups with more than one investment fund manager

A person or company that directs the business, operations or affairs of an investment fund must obtain registration as an investment fund manager. Some investment fund complexes or groups have more than one entity within the fund complex that trigger the registration requirement because they direct the business, operations or affairs of an investment fund. In these cases, more than one entity is subject to investment fund manager registration unless an exemption is granted. For example, structures where investment funds are organized as limited partnerships may have multiple entities within the fund complex that could require investment fund manager registration.

We amended our guidance to NI 31-103 to address the issue of multiple investment fund manager registration within a fund complex. The registration requirement for investment fund managers is generally not intended to result in multiple investment fund manager registrations

within a fund complex because often many of the fund management functions are centralized and performed by one entity within the group. We will consider granting exemptive relief on a case-by-case basis when we are satisfied that the regulatory risks and concerns are adequately addressed through the registration of at least one investment fund manager in the fund complex. For information about the factors that we typically consider in granting such relief, see section 7.3 of 31-103CP.

4.3 Common deficiencies from registration applications

The processing of applications for registration may be delayed if a registration application form is incomplete or lacks sufficient detail. To address this, we have listed in the tables below the common deficiencies identified from firm and individual registration applications reviewed over the last year. The deficiencies have been separated out by the type of form used. In order to reduce delays in the processing of applications, applicants should avoid these common deficiencies and follow the identified actions to be taken before submitting their applications.

We also provide some guidance on filing notices of changes to registration information and exemption applications that are connected to a registration application.

The deficiencies and actions to be taken are listed in the same order as the information is requested on the applicable forms. References to item numbers, schedules and questions are to specific sections of the forms.

Firm applications

Form 33-109F6 (F6) *Firm Registration*

Deficiency noted	Action to be taken
Items 2.5 and 2.6 *Contact names* – the Ultimate Designated Person's (UDP) and Chief Compliance Officer's (CCO) telephone number and e-mail address are not provided.	Include the UDP's and CCO's contact information such as telephone numbers and e-mail addresses.
Item 3.1 *Firm's business* – insufficient detail is provided regarding the firm's proposed business activities.	Provide detailed description of the firm's intended activities as a registrant, such as its industry focus, target market and the products and services it will provide to clients. Also, describe any unique business activities, such as plans to provide on-line advisory services to clients (see section 5.2D of this report for a discussion of on-line advice).

Deficiency noted	Action to be taken
Item 3.9 *Business registration number* – the firm's registration number(s) is not provided where applicable.	Provide the firm's business registration number(s) for each jurisdiction of Canada where the firm is seeking registration, when a business registration number is required under the local laws of the jurisdiction. If registered federally, this does not always preclude a firm from obtaining provincial business registration.
Item 3.12 *Ownership chart* – the ultimate ownership percentage is not provided.	Include a complete ownership chart that includes the owner's name(s), and the class, type, amount and voting percentage of ownership of the firm's securities. If the ultimate indirect shareholder is an entity, include the shareholder(s) of that entity.
Item 5.5 *Bonding or insurance details* – incomplete details provided on bonding and insurance.	Include all insurance details including the name of insurer, policy number, specific insuring agreements and clauses, coverage details, amount of deductible and renewal date. The entire policy need not be sent to us; the binder setting out these details is sufficient. For firms providing the Form B Financial Institution Bond, provide information setting out how the Form B is equivalent to the clauses outlined in Appendix A to NI 31-103.
Item 6.1 *Client assets* – inappropriate responses are provided on whether the firm holds or has access to client assets.	See section 12.4 of 31-103CP for guidance on what constitutes holding or having access to client assets.
Item 6.2 *Conflicts of interest* – inappropriate responses provided on relationships that could reasonably result in any significant conflicts of interest. For example, firms that have related registrants or issuers do not disclose the details of these conflicts of interest.	Provide details about each significant conflict, and respond if the firm has policies and procedures to identify and respond to its conflicts of interest (and if no, explain why). For guidance on conflicts of interest, see section 13.4 of 31-103CP and CSA Staff Notice 31-326 *Outside Business Activities*.
Schedule B - *Submission to jurisdiction and appointment of agent for service* - the information on the form is handwritten and not legible.	Print legible information or have the information in the schedule typed.
Schedule C - *Form 31-103F1 Calculation of Excess Working Capital* - the current period indicated on the Form does not match the period for the audited financial statements submitted.	Ensure the current period on the Form 31-103F1 matches the period for the audited financial statements submitted.

Form 33-109F5 *Change of Registration Information*
(for changes to registered firm information in section 3.1 of NI 33-109)

Deficiency noted	Action to be taken
Changes to *Form 33-109F6* - investment dealers (that are members of IIROC) do not file the Form 33-109F5 notifying us of changes.	Investment dealers registered with us must file all changes in their Form 33-109F6 with the OSC by submitting a completed Form 33-109F5.
Item 2 *Details of Change* - the Form 33-109F5 is filed without sufficient details of the change.	Provide us with details of all changes to information previously submitted on Form 33-109F6, including the item number(s) and details of the change(s).

Individual applications

Form 33-109F4 - *Registration of Individuals and Review of Permitted Individuals*

Deficiency noted	Action to be taken
Item 1 *Name* - trade names used by dealing representatives are not disclosed in Question 3 on "Use of other names."	Provide any trade names in both Question 3 of Item 1 and in Schedule A *Names*.
Item 5 *Registration jurisdictions* - inappropriate responses are provided to Question 1, which asks: Are you filing this form under the passport system / interface for registration? For example, the questions is answered as "yes" when the application cannot be filed under the passport system /interface.	Understand which filings may be submitted under the passport system or the interface system. For more information about registering in more than one jurisdiction, see National Policy 11-204 *Process for Registration in Multiple Jurisdictions*.
Item 8 *Proficiency* – the individual has not provided sufficient evidence of their relevant experience to support their application for registration.	Filers should familiarize themselves with the applicable proficiency requirements, and ensure the application reflects how the applicant qualifies for the category of registration they have applied under. See Part 3 of NI 31-103 (for proficiency requirements).
Item 10 and Schedule G *Current employment, other business activities, officer positions held and directorships* – incomplete responses are provided on Schedule G, Question 3, Description of duties and Question 5, Conflicts of interest. Disclosure of other business activities is often not provided. We are often provided with notices to update this question when the other business activity started before the initial application was submitted.	Item 10, Schedule G, Question 3 on *Description of duties:* Provide detailed disclosure including the nature of the business, the duties of the applicant and the relationship with the business. When one is seeking registration that requires specific experience, the response to this question should include details for each position at a firm such as level of responsibility, value of accounts under direct supervision, number of years of experience, and percentage of time spent on each

Deficiency noted	Action to be taken
	activity. Often we are not provided with adequate details to establish how their experience is relevant or sufficient to qualify for registration. Item 10, Schedule G, Question 5 on *Conflicts of interest:* Respond to the question in its entirety by completing parts A to E. For guidance on conflicts of interest, see section 13.4 of 31-103CP and CSA Staff Notice 31-326 *Outside Business Activities*.
Item 11 and Schedule H *Previous employment and other activities* – incomplete responses are provided. For example, applicants do not provide the reason for leaving their previous employment or the reason provided is not clear.	Include all details required by the questions in Schedule H, including a clear reason for leaving the previous employment. It is not sufficient to only provide a job title to describe your previous firm's business and your duties.
Items 12 to 16 inclusive. *Resignations and terminations; Regulatory disclosure; Criminal disclosure; Civil disclosure; and Financial disclosure* – incomplete information is provided for the applicable questions.	It is the firm's responsibility to conduct its own due diligence on an individual it intends to sponsor. It is critical that information submitted to us is complete and accurate.
Item 17 *Ownership of securities and derivatives firms* – insufficient detail is provided.	Disclose all details on the ownership of any securities or derivatives firms, including the percentage of ownership in the sponsoring firm.

Form 33-109F5 *Change of Registration Information*
(for changes to an individual's information in section 4.1 of NI 33-109)

Deficiency noted	Action to be taken
Item 17 *Ownership of securities and derivatives firms* – we are often not provided notice when an individual becomes a shareholder of their sponsoring firm.	Provide details on any change in ownership in the firm, including the percentage of ownership by submitting Form 33-109F5 within 10 days of the change.

Exemption applications that are connected to a registration application

Deficiency noted	Action to be taken
Insufficient detail is provided on an exemption application from the proficiency requirements for an individual applicant that is connected to his or her registration application. Or, the exemption application is not provided at the same time as the	Provide complete and relevant details on the applicant's education and experience so we are able to determine whether exemptive relief from the proficiency requirements is appropriate. Also, explain how and why the individual's education and

registration application.	experience is equivalent to, or more appropriate in the circumstances than, that required in NI 31-103. An exemption application should accompany the application for registration to avoid having an application for registration returned and therefore delayed.

We remind sponsoring firms that section 5.1(1) of NI 33-109 requires you to make reasonable efforts to ensure the truth and completeness of the registration information submitted to us for any individual, and that firms themselves are required to provide accurate and truthful disclosure in all applications and notices filed with us to comply with section 122 of the Act.

5. Information for advisers, investment fund managers and dealers

5.1 All registrants
- A. Compliance review process and its outcomes
- B. Updated risk assessment questionnaire
- C. Ongoing registrant filings
- D. New and proposed rules and initiatives impacting all registrants
- E. Trends in deficiencies from compliance reviews and suggested practices

5.2 Portfolio managers
- A. Trends in deficiencies from compliance reviews and suggested practices
- B. Marketing practices
- C. Portfolio manager client account statement practices
- D. On-line advice
- E. New and proposed rules impacting portfolio managers

5.3 Investment fund managers
- A. Trends in deficiencies from compliance reviews and suggested practices
- B. New and proposed rules impacting investment fund managers

5.4 Exempt market dealers
- A. Trends in deficiencies from compliance reviews and suggested practices
- B. Reviews of higher risk exempt market dealers
- C. New and proposed rules impacting exempt market dealers

5. Information for advisers, investment fund managers and dealers

The information in this section includes the key findings and outcomes from our ongoing reviews of all the registrants we regulate. Here we highlight deficiencies from our oversight reviews of registrants and provide suggested practices to address those deficiencies. The suggested practices are intended to give guidance to registrants to help them comply with their regulatory obligations, as they provide our interpretations of the legal requirements and our expectations of registrants. We also discuss new or proposed rules and initiatives impacting registrants.

This part of the report is divided into four main sections. The first section contains general information that is relevant for all registrants. The other three sections contain information specific to portfolio managers, investment fund managers and exempt market dealers, respectively. This report is organized to allow a registrant to focus on reading the section for all registrants and the sections that apply to their registration categories. However, we recommend that registrants review all sections in this part, as some of the information presented for one type of registrant may be relevant to other registrants.

5.1 All registrants

This section outlines our compliance review process and its outcomes, and details new and proposed rules and initiatives impacting all registrants.

A. Compliance review process and its outcomes

We conduct compliance reviews of selected registered firms on a continuous basis. Generally, we use a risk-based approach to select registrants for review; however, we occasionally select firms for review on a random basis, for example, to help us evaluate the effectiveness of our risk-based approach. Compliance reviews of registered firms generally focus on their conduct, practices, operations and capital adequacy. The risk-based approach is intended to identify those registrants that are most likely to have material issues, including risk of harm to investors. We normally conduct compliance reviews on-site at a registrant's premises, but may also perform reviews from our offices, which are known as desk reviews. The majority of reviews are proactive in nature, but we also perform reviews on a for-cause basis where we are aware of a potential compliance issue, for example, from a complaint or a referral from another branch, an SRO or another regulator. We also conduct sweeps, which are compliance reviews of a sample of

registered firms on a specific topic or in an industry sector over a short period of time. Sweeps allow us to respond on a timely basis to industry-wide concerns or issues.

The purpose of compliance reviews is to assess compliance with Ontario securities law. In most cases, the deficiencies noted are raised with the firm reviewed so that appropriate corrective action can be taken. During our reviews, we also stay alert to any signs of potential fraud and will take appropriate steps if we identify these signs.

We monitor the outcomes from our reviews to assess overall compliance and to identify areas of focus for future reviews. Compliance reviews often lead to enhanced compliance at registrants, but may result in other regulatory actions such as terms and conditions being imposed on a registrant's registration, suspension of the firm's and its individuals' registrations, or a referral to the OSC's Enforcement Branch. The outcomes of our compliance reviews in fiscal 2011, with comparables for 2010, are presented in the following table and are listed in their increasing order of seriousness. The percentages in the table are based on the registered firms we reviewed during the year and not the population of all registered firms.

Outcomes of compliance reviews (all registration categories)	Fiscal 2011	Fiscal 2010
Enhanced compliance	31%	37%
Significantly enhanced compliance	57%	50%
Terms and conditions on registration	3%	3%
Referral to the Enforcement Branch	9%	10%

Each outcome is explained below. In some cases, there may be more than one outcome from a review. In these cases, the review is counted only under its most serious outcome.

- **Enhanced compliance**: At the end of a review, we usually issue a report to the firm identifying areas of non-compliance that require corrective action. We work with the firm to facilitate the appropriate resolution of deficiencies. Compliance field reviews generally result in enhanced compliance at these firms following their actions to address the identified matters and to improve their compliance systems, internal controls, or policies and procedures. In 2010-11, 31% of field reviews resulted in enhanced compliance by the registrant.

- **Significantly enhanced compliance**: When the seriousness of the deficiencies identified during a review warrant it, in addition to the steps taken in the enhanced compliance outcome, we increase our monitoring of the registrant. For example, we may conduct a follow-up review of a registrant or require the registrant to provide additional evidence to assess if they have appropriately addressed the identified deficiencies. The increased monitoring and the registrant's actions generally result in significantly enhanced compliance by the firm. In 2010-11, 57% of field reviews resulted in significantly enhanced compliance by registrants.

- **Terms and conditions on registration**: We may impose terms and conditions on a firm's registration to more actively monitor how a registrant is complying with securities law. We may also impose terms and conditions requiring a registered firm to take a specific action or to restrict their business activities. For example, terms and conditions may require the firm to submit information (such as financial statements and capital calculations) to the OSC more frequently, retain a consultant to improve its compliance systems, or prohibit the registrant from opening new client accounts. In 2010-11, 3% of field reviews resulted in the imposition of terms and conditions on the registration of registrants.

- **Referral to the Enforcement Branch**: If we identify a serious breach of securities law, we may also discuss the findings with the Enforcement Branch, and together determine an appropriate course of action. In 2010-11, 9% of field reviews resulted in referrals to the Enforcement Branch.

In fiscal 2011, the CRR Branch also suspended the registration of a registered firm as a result of a compliance review. This was the first time a registered firm's registration was suspended under new powers granted to the Director that came into force at the same time as the new regime for registrants. For more information, see section 3.3 of this report.

B. Updated risk assessment questionnaire

In prior years, a risk assessment questionnaire (RAQ) was developed for separate categories of registered firms. This year, we developed an updated and integrated RAQ which was sent out in June 2011 to all portfolio managers, investment fund managers and exempt market dealers registered in Ontario. The integrated RAQ contains a general section for all registrants, then specific sections on their applicable portfolio manager, investment fund manager and exempt

market dealer registration(s). Therefore, a registered firm was only required to complete one RAQ, even if it was registered in multiple registration categories. The updated RAQ includes questions relating to different areas of a firm's operations such as registration, business activities, financial condition, custody, fee arrangements, and compliance. The completed questionnaires will be risk-ranked, and each registrant will be assigned a risk ranking. We will use the risk ranking as a tool to allocate our resources effectively by focusing our compliance activities on higher risk registrants. Later this fiscal year, we will start conducting on-site compliance reviews of firms that are higher risk based on their responses to the RAQ.

C. Ongoing registrant filings

Registrants have ongoing filing obligations. For example, NI 33-109 requires registrants to update information submitted in applications for firms and individuals, NI 31-103 requires firms to provide us with filings such as annual audited financial statements, and OSC Rule 13-502 *Fees* requires registered firms and unregistered exempt international firms to file Form 13-502F4 and pay capital market participation fees.

All of the above filings have a deadline. We no longer provide reminders with respect to the deadline for filings. It is the responsibility of the firm to have a compliance structure in place that enables it to comply with all regulatory requirements. If the deadline is not met, it may affect a firm's continued suitability for registration and may result in terms and conditions being imposed on the firm's registration or suspension of registration. In addition, firms will incur late filing fees of $100 for each business day that the filing is late, to a maximum of $5,000 annually.

Notices of changes to the registration information for individuals are often submitted to us late. Firms should ensure that the individuals they sponsor update them of changes in their registration information on a timely basis so that the firm can submit the notice of change on time and avoid late filing fees. If a firm requires an extension for a filing, it must file a relief application at least 30 days in advance of the deadline.

D. New and proposed rules and initiatives impacting all registrants

In addition to the new regime for registrants, we actively participated in the development and implementation of new and proposed rules and other initiatives. The key rules and initiatives that generally impact all registrants are described below.

International Financial Reporting Standards (IFRS)

For financial years beginning on or after January 1, 2011, Ontario-based registrants are required to deliver to the OSC their annual audited financial statements that are prepared using IFRS. IFRS also applies to certain Ontario-based registrants that are required to prepare and deliver interim financial information to the OSC. For the purposes of this section, Ontario-based registrants include registered firms who are not members of IIROC or the MFDA or registered firms who are registered in any other category of registration (for example, exempt market dealer, investment fund manager) and are also members of IIROC or the MFDA.

Part 12, Division 4 of NI 31-103 sets out the financial reporting obligations for registered firms. It requires Ontario-based registrants to deliver their annual audited financial statements to the OSC within 90 days after their financial year end. It also requires certain Ontario-based registrants, such as investment fund managers and scholarship plan dealers, to deliver to the OSC their unaudited interim financial information within 30 days after the end of each quarter. NI 31-103 and National Instrument 52-107 *Accounting Principles and Auditing Standards* (NI 52-107) require that the financial statements and financial information be prepared in accordance with IFRS, except that the statements must be prepared on a non-consolidated basis. For more details on the requirements, including those for foreign registrants, see NI 52-107.

To assist firms in their conversion to IFRS, the following amendments were made to NI 31-103:

- Registered dealers and investment fund managers were provided a 15-day extension to the deadline to deliver their first interim financial information and completed Form 31-103F1 in the year of adopting IFRS. However, there is no extension for delivering the annual audited financial statements.
- An exemption is available to registrants from the requirement to provide comparative information in financial statements and interim financial information for the financial year beginning in 2011.

For more information, see Information on IFRS for Dealers, Advisers and Investment Fund Managers.

Use of accredited investor exemption

We have concerns that some issuers and dealers are selling exempt securities in reliance on the accredited investor (AI) exemption to individual investors who do not meet the definition of an AI. Securities that are exempt from the prospectus requirement are referred to as exempt securities. In response to our concerns, in May 2011 we published OSC Staff Notice 33-735 *Sale of Exempt Securities to Non-Accredited Investors* (OSC Notice 33-735). The notice provides guidance on the AI definition and the AI exemption contained in National Instrument 45-106 *Prospectus and*

Registration Exemptions (NI 45-106) and our expectations of issuers and dealers who sell exempt securities to AIs.

In Ontario, issuers and dealers are permitted to sell securities without a prospectus if they sell to individual investors who meet minimum asset or income thresholds, referred to as AIs. However, in practice, we have found that many dealers do not collect adequate know your client information to reasonably determine whether an investor is in fact an AI. One frequent misunderstanding of the AI definition relates to the respective meanings of "financial assets" and "net assets". We remind firms that the two concepts are different and should not be confused. Financial assets include (i) cash, (ii) securities, or (iii) a contract of insurance, deposit or an evidence of a deposit that is not a security for the purposes of securities legislation. The value of an investor's personal residence or other real estate is not included in the calculation of financial assets. By comparison, net assets includes all of the investor's assets, minus all of his or her liabilities, and so could include an investor's personal residence and other real estate.

Issuers and dealers should review their current practices for selling exempt securities to AIs as they are responsible for determining whether an investor meets the definition of an AI and is eligible to purchase exempt securities. Dealers should take any necessary steps to ensure they meet their obligations under securities law when selling exempt securities to an AI. We encourage issuers and registrants to use the notice to assist them in understanding the AI definition and to strengthen their systems of internal controls and supervision to ensure compliance with securities law. For more information, see OSC Notice 33-735.

Electronic delivery of documents

In April 2011, proposed amendments to National Policy 11-201 *Delivery of Documents by Electronic Means* (NP 11-201) were published for comment. The CSA recognizes that the use of electronic communications can enable market participants to provide information in a more cost-efficient, timely and widespread manner than by paper. Proposed NP 11-201 provides the CSA's views on how obligations under Canadian securities law to deliver documents can be satisfied by electronic means.

Since the initial implementation of NP 11-201, there have been changes to legislation affecting electronic commerce and transactions, including amendments to corporate legislation and the introduction of legislation governing electronic transactions and protection of personal information. Electronic communications have also become much more common. As such, the CSA reviewed and updated NP 11-201 to recognize the changes to other non-securities legislation and the increased familiarity of market participants and investors with the electronic delivery of documents.

The following are the key changes that would result from the proposed amendments:

- alerting stakeholders to other legislation that addresses the electronic delivery of documents
- simplifying guidance on the form and substance of security holder consent to electronic delivery of documents, and
- reducing technology-related language to avoid references to technologies that may become obsolete.

For more information, see Notice and Request for Comment on Proposed Amendments to NP 11-201.

Proposed securitized products rules

The Canadian economy has not been immune to the effects of the global financial crisis. Canada experienced significant turmoil in the market for asset-backed commercial paper (ABCP), as seen in the freezing of $32 billion of non-bank sponsored ABCP in August 2007. In October 2008, the CSA released a consultation paper[5] that investigated, among other things, securities regulatory proposals in relation to the sale of ABCP. Since that time, our focus has broadened to cover all securitized products and their distribution both publicly under a prospectus and in the exempt market. Securitization refers to the process by which a special purpose vehicle is used to create securities, which are referred to as securitized products, that entitle holders to payments that are supported by the cash flows from a pool of financial assets held by the vehicle.

In March 2011, the CSA published for comment proposed rules and rule amendments relating to securitized products (the Proposed Securitized Products Rules) that set out a new framework for the regulation of securitized products in Canada. Two main features of the proposed rules are:

- enhanced disclosure requirements for securitized products issued by reporting issuers, and
- new rules that narrow the class of investors who can buy securitized products on a prospectus-exempt basis, and require that issuers of securitized products provide disclosure at the time of distribution and on an ongoing basis.

For more information, see Notice and Request for Comment on Proposed Securitized Products Rules.

[5] Consultation Paper 11-405 *Securities Regulatory Proposals Stemming from the 2007-08 Credit Market Turmoil and its Effect on the ABCP Market in Canada*

E. Trends in deficiencies from compliance reviews and suggested practices

This section discusses trends in deficiencies identified from our compliance reviews that impact all registered firms (including advisers, investment fund managers and exempt market dealers), and provides suggested practices (where appropriate) to address the deficiencies.

Excess working capital calculation

Some firms are not accurately calculating their excess working capital on Form 31-103F1 *Calculation of Excess Working Capital* (Form 31-103F1). When calculating their excess working capital, registered firms should exclude any current assets that are not readily convertible into cash, such as prepaid expenses and security deposits with service providers. We also have concerns with firms that include accounts receivables, especially from related parties, that are not readily convertible to cash. Any receivables that are not able to be converted to cash in a prompt and timely manner should be excluded from the excess working capital calculation.

Section 12.1 of NI 31-103 requires registered firms to maintain positive excess working capital, as calculated using Form 31-103F1. Registrants should review items that are included in current assets on Line 1 of Form 31-103F1 to identify those that are not readily convertible into cash, and deduct these items on Line 2 of the form.

Inadequate insurance coverage

NI 31-103 requires registered firms to maintain adequate bonding or insurance. Some registered portfolio managers or investment fund managers failed to maintain an adequate amount of insurance as their clients' assets under management increased during the year and the level of insurance was not increased to reflect this change in their business. Furthermore, some registered firms do not maintain bonding or insurance that provides for a "double aggregate limit" or "full reinstatement of coverage".

Registrants must maintain bonding or insurance in the highest of the amounts listed in sections 12.3, 12.4 and 12.5 of NI 31-103, as applicable to their categories of registration. The amount of insurance required is based on calculations which include the firm's total assets as well as clients' assets under management. Registered firms should account for the expected growth in their business in determining the amount of insurance coverage to ensure that their coverage is adequate.

Registered firms should also ensure that their bonding or insurance provides for a "double aggregate limit" or a "full reinstatement of coverage" as explained under Division 2 of Part 12 of 31-103CP.

Suggested practices

To ensure adequate insurance coverage, registered firms should:

- factor in any expected increase in the firm's assets or their clients' assets under management for the next year when determining the amount of their insurance coverage, and
- regularly review the adequacy of their insurance coverage, especially when there is a material change in their business or circumstances.

Use of social media

During our reviews, we found that registered firms are not widely using social media web sites to market their firm's products and services. However, given the steady increase in the general use of social media, such as Facebook and Twitter, we anticipate that firms and their registered individuals will more frequently use social media to market their business activities and communicate with clients. Our expectation is that firms and their registered individuals must comply with applicable securities legislation when using social media.

When using social media as a means of communicating with clients and the general public for business purposes, registered firms need to consider compliance and supervisory challenges, such as the requirement to maintain records of their business activities, financial affairs and client transactions. There is a greater risk that registrants may not be retaining adequate records of their business activities and client communication when using social media since interactive social media includes both real time and static content. Registrants need to design their systems to allow for compliant record retention, as well as retrieval capability.

The use of social media web sites also creates challenges from a supervisory perspective. Firms need to determine the level or extent of supervision necessary to meet their regulatory obligations, including protecting investors from receiving false or misleading statements.

Section 11.5 of NI 31-103 requires registrants to maintain records of their business activities, financial affairs and client transactions. Also, section 2.1 of OSC Rule 31-505 *Conditions of Registration* (OSC Rule 31-505) requires firms and their representatives to deal fairly, honestly and in good faith with their clients, and section 44(2) of the Act prohibits making statements to an investor who is deciding to enter into or maintain a trading or advising relationship, if the statement is untrue or omits information necessary to prevent it from being misleading. These requirements apply to information on social media web sites used by firms and their representatives for business purposes.

Suggested practices

Registered firms should consider the following when determining whether to use social media for business purposes:

- establishing policies and procedures for the review, supervision, retention and retrieval of materials on social media
- designating an appropriate individual to be responsible for the supervision or approval of communications, and
- reviewing the adequacy of systems and programs to ensure compliant record retention and retrieval capability.

Annual compliance report from chief compliance officer

There is often no evidence that a registered firm's Chief Compliance Officer (CCO) has submitted an annual report to the firm's board of directors (or its equivalent) that assesses the firm's, and its registered individuals', compliance with securities law.

Section 5.2 of NI 31-103 outlines the responsibilities of a registered firm's CCO, including:

- establishing and maintaining policies and procedures for assessing compliance by the firm, and individuals acting on its behalf, with securities legislation
- monitoring and assessing compliance by the firm, and individuals acting on its behalf, with securities legislation
- timely reporting to the firm's ultimate designated person of any circumstances indicating that the firm, or any individual acting on its behalf, may be in non-compliance with securities legislation that reasonably creates a risk of harm to a client or the capital markets, or that is part of a pattern of non-compliance, and
- submitting an annual report to the firm's board of directors, or individuals acting in a similar capacity for the firm, for the purposes of assessing compliance by the firm, and individuals acting on its behalf, with securities legislation.

Suggested practices

A CCO should:

- prepare and maintain a written, annual report that they provide and present to the firm's board of directors that outlines the CCO's assessment of the firm's and its registered individuals' compliance with securities law for the period of the report, and

- describe in the written report what steps were taken to perform their assessment, the results of the assessment (including any significant instances of non-compliance such as those that create a risk of harm to a client or the capital markets), and what has been done or will be done to address the non-compliance.

Alternatively, in cases where the CCO has orally presented his or her annual compliance report to the firm's board of directors (and not also prepared a written report as suggested above), it may be appropriate for the minutes to the board meeting to document the discussion, and describe the same information as outlined in the suggested practices for a written report above. This may be appropriate, for example, in the case of a small firm with limited business lines that did not have any significant instances of non-compliance.

We think that these suggested practices apply to a CCO who is the sole member of a registered firm's board of directors.

Acting on the above suggested practices will help us to assess if a CCO has fulfilled his or her responsibilities under section 5.2 of NI 31-103.

5.2 Portfolio managers

This section contains information specific to the approximately 660 portfolio managers registered with us. It includes trends in deficiencies and suggested practices from our compliance reviews of portfolio managers. We also discuss our reviews of the marketing and client account statement practices of portfolio managers, the provision of on-line advice, and new or proposed rules impacting portfolio managers.

A. Trends in deficiencies from compliance reviews and suggested practices

This section discusses trends in the deficiencies identified from our compliance reviews of portfolio managers, along with suggested practices.

Trades between client accounts

We have concerns with portfolio managers who effect trades between client accounts, as some of these trades are prohibited. For these trades, which are commonly referred to as cross trades, the portfolio manager causes (by instructing a dealer) one client account managed by the

portfolio manager to purchase or sell a security from or to the investment portfolio of another client account.

Portfolio managers are reminded that there are restrictions on certain managed account transactions. Section 13.5(2)(b) of NI 31-103 states that an adviser must not knowingly cause an investment portfolio managed by it, including an investment fund for which it acts as an adviser, to purchase or sell a security from or to the investment portfolio of any of the following:

- a responsible person
- an associate of a responsible person, or
- an investment fund for which a responsible person acts as an adviser.

As such, portfolio managers are prohibited from effecting cross trades between one client account and another account of a responsible person, an associate of a responsible person, or an investment fund for which it acts as an adviser. Responsible person is defined in section 13.5(1) of NI 31-103 and includes the portfolio manager, and associate is defined in section 1(1) of the Act.

Portfolio managers should also consider the prohibition that exists for inter-fund trades by public investment funds unless these trades are approved by the funds' independent review committee and they comply with other prescribed conditions under section 6.1 of National Instrument 81-107 *Independent Review Committee for Investment Funds.* Also, see section 13.5 of 31-103CP, under the heading "Restrictions on trades with certain investment portfolios", for further guidance.

For cross trades that are not specifically prohibited by securities law, portfolio managers must ensure that they meet their suitability obligations in section 13.3 of NI 31-103, and their duty to deal fairly, honestly and in good faith in section 2.1(1) of OSC Rule 31-505, to both the purchasing client and the selling client.

Suggested practices

If a portfolio manager crosses trades between client accounts (when not specifically prohibited by securities law and not subject to the requirements that apply to exempt inter-fund trades for public investment funds), they should:

- ensure that the executed price for cross trades is fair to both the purchasing and selling clients (e.g., the mid-point between the bid and ask price)
- ensure that the fees charged on cross trades are reasonable

- ensure that cross trades are executed through a dealer
- establish policies and procedures that contain guidelines on cross trades, including their review and approval, pricing, execution cost, execution through a dealer, and restrictions on certain managed account transactions, and
- ensure that the methodology for allocating cross trade opportunities amongst client accounts is fair and equitable to all clients.

Disclosure regarding use of client brokerage commissions

Some portfolio managers do not provide the required disclosure to their clients when they direct trades involving those clients' brokerage commissions to a dealer in return for goods and services (other than order execution) provided by the dealer or a third party. This practice was formerly referred to as soft dollar arrangements.

National Instrument 23-102 *Use of Client Brokerage Commissions* (NI 23-102) came into force on June 30, 2010. It states that portfolio managers may only direct trades involving clients' brokerage commissions to a dealer in return for order execution and research goods and services provided by the dealer or a third party. Further, portfolio managers must ensure that the goods or services are used to assist with investment or trading decisions, or with effecting securities transactions, on behalf of clients. It also requires portfolio managers to make a good faith determination that clients receive a reasonable benefit considering the use of the goods or services and the amount of commissions paid. Portfolio managers are also obligated to disclose specific information to a client on their practices if any trades involving client brokerage commissions of that client have been or might be directed to a dealer in return for goods or services (other than order execution) provided by the dealer or a third party. For clients that existed on June 30, 2010, the disclosure was required to be sent by December 31, 2010, and then must be provided at least annually. For new clients, the disclosure is required before the portfolio manager open the client's account or enters into a management contract with the client, and then at least annually.

The disclosure obligations are set out in section 4.1(1) of NI 23-102 and include:

- a description of the process for selecting dealers
- a description of the nature of the arrangements
- a list of each type of good or service (other than order execution) that is provided, and
- a description of how the firm has made a good faith determination that its clients receive a reasonable benefit, considering the use of the goods or services and the amount of commissions paid.

Suggested practices

Portfolio managers that are required to provide disclosure to clients on their use of client brokerage commissions should:

- establish policies and procedures that contain guidelines on providing adequate disclosure to clients, including review and approval of written disclosure to clients
- ensure that the period of time chosen for the periodic (i.e., annual) disclosure is consistent from period to period
- determine the form of disclosure based on client needs, and
- provide the required disclosure in conjunction with other initial and periodic disclosure relating to the management and performance of the account.

For additional guidance, see Part 5 of the Companion Policy to NI 23-102.

Delegating know your client and suitability obligations

In last year's report, we highlighted our concern that some portfolio managers delegate their know your client (KYC) and suitability obligations to other parties. Since we continued to identify this practice during this year's reviews, we are re-emphasizing this deficiency again, in addition to taking appropriate regulatory action when identified.

Some portfolio managers enter into arrangements with mutual fund dealing representatives (and their firms) or financial planners, for the referral of clients to the portfolio manager for a managed account. We have concerns when the portfolio manager does not have a meaningful discussion with each referred client to fully understand their investment needs and objectives, financial circumstances and risk tolerance. We have noted that some portfolio managers are relying on the mutual fund dealing representative or financial planner to perform these duties, along with assisting the client in completing the portfolio manager's managed account agreement, and updating KYC information. We have also seen cases where an individual working for the portfolio manager firm is performing these duties but is not registered as an advising or associate advising representative. These practices are contrary to securities law, as registrants may not delegate their KYC and suitability obligations to other parties. Furthermore, portfolio managers cannot adequately perform their suitability obligations if they do not have complete and accurate KYC information for their clients.

Portfolio managers are required by sections 13.2 and 13.3 of NI 31-103 to establish the identity of each of their clients and to ensure they have sufficient and current KYC information for each client (including the client's investment needs and objectives, financial circumstances, and risk tolerance)

so that they can assess the suitability of each trade made for their clients. Furthermore, mutual fund dealing representatives, financial planners, and non-registered individuals at the portfolio manager firm do not have the proficiency or registration required to perform these activities for a managed account. Referral arrangements must not allow an individual or firm to perform registrable activities unless the individual or firm is appropriately registered.

Suggested practices

An advising representative of the portfolio management firm should:

- have a meaningful discussion with each client to understand their KYC information before managing their portfolio (preferably by meeting the client in-person, but in some cases telephone discussions may be appropriate, for example when the client does not reside near the portfolio manager's offices)
- explain the firm's investment process and strategy and other relationship information to the client
- assist the client in completing necessary forms and agreements, such as an investment policy statement and managed account agreement
- regularly communicate the investment holdings and performance of the managed account to the client, and
- keep each client's KYC information up-to-date by:
  - immediately contacting the client when they know that their circumstances have changed, and
  - periodically contacting the client (at least annually) to assess if their circumstances have changed.

Also, registered firms should review referral arrangements to ensure that all activity requiring registration is performed by appropriately registered firms and individuals.

B. Marketing practices

The marketing practices of portfolio managers are an ongoing area of focus for us since the materials used by them to market their firm's services, skills and experience are intended to influence investors. In recent years, we continued to see a number of issues in the marketing practices of portfolio managers. As a result, together with the CSA, we conducted a focused compliance review of the marketing practices of over fifty firms registered as portfolio managers

to better understand their marketing practices and to harmonize our compliance oversight across Canada.

On July 8, 2011, we published CSA Staff Notice 31-325 *Marketing Practices of Portfolio Managers* (CSA Notice 31-325). This notice discusses the findings from our compliance reviews and provides suggested practices to help portfolio managers ensure their marketing practices are in accordance with securities law, including that statements provided to investors are fair and not misleading. The notice updates certain issues and guidance previously provided in November 2007's OSC Staff Notice 33-729 *Marketing Practices of Investment Counsel/Portfolio Managers,* including an update on the use of hypothetical performance data as a result of further information gathered from ongoing compliance reviews and industry consultations.

The suggested practices in CSA Notice 31-325 address the following issues:

- preparation and use of hypothetical performance data
- exaggerated and unsubstantiated claims
- policies, procedures and internal controls
- use of benchmarks
- performance composites
- holding out and use of names
- other performance return issues, and
- disclosure related issues.

We encourage portfolio managers to use the guidance in the notice to assess their own marketing practices, and determine the areas where improvements can be made. We also recommend that registrants in other categories do the same, as some of the issues and guidance may be relevant to their marketing practices as well.

For more information, see CSA Notice 31-325.

C. Portfolio manager client account statement practices

Some portfolio managers do not deliver account statements to their clients, or the statements that they deliver do not include information on each security transaction made for the client. Further, some portfolio managers deliver consolidated account statements, which combine information for more than one account managed for a client on one summary statement, instead of a statement for each account that they manage for the client. Because of these concerns, we performed a desk review of the client account statement practices of portfolio managers to

obtain a better understanding of their practices. In June 2011, we sent a questionnaire to 50 Ontario-based firms registered as portfolio managers requesting information about their practices, including the frequency of delivery and content of statements, if they outsource the delivery of statements to a service provider, and if they provide consolidated statements. We also requested samples of statements and copies of any outsourcing agreements. The information we obtained will be used to assess if further guidance needs to be provided to portfolio managers on their client account statement obligations as described in section 14.14(3) of NI 31-103.

D. On-line advice

Some portfolio managers are providing or propose to provide on-line advisory services, which may include the use of on-line portfolio management tools and the provision of on-line advice or the collection and documentation of KYC information on-line. Portfolio managers may be able to provide on-line advice services where applicable legal requirements can be met since the medium for delivery of advisory services is largely unrestricted under our regulatory regime. However, we remind portfolio managers of certain key areas of obligations under NI 31-103 when providing on-line advice services, including:

- *KYC and suitability obligations* – portfolio managers should ensure that any KYC information collected is verified and accurately reflects the investment needs and objectives, financial circumstances and risk tolerance of clients, and that any investment advice, regardless of how it delivered, is suitable for clients
- *Managing and responding to any conflicts of interest* – portfolio managers should ensure that any conflicts of interest are responded to appropriately
- *Client relationship disclosure requirements* – portfolio managers need to ensure that clients are aware of and understand the nature and level of the advisory services provided, and
- *Books and records* – portfolio managers should establish policies and procedures for the review, retention and retrieval of required books and records, including any client information collected on-line.

We also remind portfolio managers of their obligations to ascertain client identity under NI 31-103 and the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* when opening accounts for clients.

Since we anticipate that there will be an increasing number of firms seeking to provide on-line advice services in the future, this is currently an area of focus for us. As part of our work, we contacted other regulators to gain an understanding of their regulatory approaches on this topic.

We are also in the process of collecting information on the delivery of on-line advice services by registrants through our updated risk assessment questionnaire and plan to conduct compliance reviews of firms in this area.

E. New and proposed rules impacting portfolio managers

Direct electronic access

Some portfolio managers make use of electronic trading, including complex trading strategies that involve high frequency trading. Portfolio managers obtain direct electronic access (DEA) to marketplaces by entering into DEA arrangements with participant dealers.[6] DEA has enabled clients of participant dealers, such as portfolio managers, to use their own systems or algorithms to directly send orders to the marketplaces of their choice.

As a result of increased risks to the Canadian market brought about by the greater and widespread use of electronic strategies, and DEA to marketplaces, the CSA published for comment Proposed National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* (Proposed NI 23-103) in April 2011. Staff in the OSC's Market Regulation Branch have been actively participating in this proposal. The proposed rule covers electronic trading by marketplace participants and their clients, and introduces specific obligations for DEA. Currently, there are no specific rules that apply to electronic trading, and the only rules in place relating to client trading access are DEA-specific rules or policies at the marketplace level. The proposed rule would provide a regulatory regime for electronic trading and DEA, and includes requirements for marketplace participants, DEA clients, and marketplaces.

Under Proposed NI 23-103, portfolio managers would be permitted to use DEA when it is provided by a participant dealer.[7] These portfolio managers would be able to trade using DEA for their own account or the accounts of their clients. Some of the proposed requirements for participant dealers when they provide DEA to clients (such as portfolio managers) include:

- setting appropriate standards that DEA clients must meet, such as appropriate financial resources, knowledge and proficiency in the use of the system, knowledge and ability to comply with marketplace and regulatory requirements, and arrangements to monitor entry of orders
- entering into a written agreement with each DEA client that has specific terms, including that the DEA client will comply with marketplace, regulatory and technology security requirements

[6] A participant dealer is a marketplace participant that is a registered investment dealer and an IIROC member.

[7] Under proposed NI 23-103, DEA can only be provided to a registrant that is a participant dealer or a portfolio manager. Exempt market dealers are precluded from using DEA. See section 5.4C on DEA in this report.

and trading limits specified by the dealer, that they will cooperate with regulatory authorities, and that the dealer can reject, vary or cancel orders or stop accepting orders

- assessing the knowledge level of the DEA client on marketplace and regulatory requirements and determining any required training, and
- assigning a unique identifier to each DEA client that must be associated with every order and be kept as part of the audit trail.

For more information, see Proposed NI 23-103.

Institutional trade matching and settlement

In May 2011, the CSA published revisions to CSA Staff Notice 24-305 *Frequently Asked Questions About NI 24-101 - Institutional Trade Matching and Settlement and Related Companion Policy* (FAQ Notice). The FAQ Notice was originally published in December, 2007 and sets out questions and answers to assist market participants in complying with NI 24-101. The FAQ Notice was revised as a result of amendments to NI 24-101, which became effective July 1, 2010, and new inquiries received by staff since the original FAQ Notice (including challenges faced by advisers and dealers in calculating their trade-matching statistics).

For questions and answers on NI 24-101, see the FAQ Notice.

5.3 Investment fund managers

This section contains information specific to the over 300 investment fund managers registered with us, including trends in deficiencies and suggested practices from compliance reviews, and new and proposed rules impacting investment fund managers.

A. Trends in deficiencies from compliance reviews and suggested practices

Inappropriate expenses charged to funds

Investment fund managers should only charge expenses to their funds that are related to the operation of the funds. Some investment fund managers are allocating expenses to their investment funds that are related to the operation of the investment fund managers' business and not the investment funds. These expenses include capital market participation fees, expenses relating to social events and holiday parties, premiums on their financial institution bonding or insurance, and expenses relating to the wholesaling activities of the investment fund manager.

Section 116 of the Act imposes a standard of care on investment fund managers for the investment funds they manage. In our view, to meet this standard of care, investment fund managers should ensure that the investment funds they manage are only paying for expenses that are related to the operation of the investment funds. The expenses listed above are related to the operation of the investment fund manager. We consider these expenses to be the cost of running a fund management business and should therefore be borne by the investment fund manager, and not their investment funds.

Suggested practices

An investment fund manager should:

- establish policies and procedures and a system of controls to ensure that their investment funds are only paying for expenses that are related to the operation of the investment funds, and
- review expense allocations on a regular basis to ensure that only appropriate expenses are charged and paid for by their investment funds.

Independent review committee assessments

Investment funds that are reporting issuers must have an independent review committee (IRC). An IRC is a panel of at least three individuals who are independent of the investment funds and their investment fund manager. The role of the IRC is to oversee decisions made by the investment fund manager on issues of perceived or actual conflicts of interest. An IRC is required to review and assess, at least annually, the adequacy and effectiveness of the investment fund manager's written policies and procedures, standing instructions, and the manager's compliance with any conditions imposed by the IRC relating to an IRC recommendation or approval. An IRC is also required to review and assess, at least annually, the compensation and independence of its members.

Some IRCs do not document the results of their assessments and also do not provide their investment fund managers with a written report summarizing the results of the assessments.

Section 4.3 of National Instrument 81-107 *Independent Review Committee for Investment Funds* requires the IRC to provide the investment fund manager with a written report of the results of their assessments that includes any breaches of the manager's policies or procedures or of conditions imposed by the IRC, and recommendations for changes to the manager's policies and procedures.

Suggested practices

An investment fund manager should ensure:

- it receives and maintains records of the regular assessments conducted by the IRC, and
- that any matters raised in written reports from the IRC are addressed in a timely and appropriate manner.

B. New and proposed rules impacting investment fund managers

Investment funds modernization project

The CSA is undertaking a project to modernize the product regulation of publicly offered investment funds. The OSC, led by staff in its Investment Funds Branch, is actively participating in this project. The first phase focuses primarily on publicly offered "mutual funds", as defined under Canadian securities legislation, which include open-end mutual funds and exchange-traded mutual funds.

As part of the first phase, proposed amendments to National Instrument 81-102 *Mutual Funds* were published for comment on June 25, 2010 that would codify exemptive relief that has frequently been granted by the CSA to recognize market and product developments, particularly the proliferation of exchange-traded mutual funds. The proposals are also intended to keep pace with developing global standards in mutual fund product regulation. For example, one of the proposed amendments would permit a mutual fund to sell securities short, subject to certain requirements.

The proposals also include new requirements for money market funds. A new liquidity requirement is proposed for a money market fund to have at least 5% of its assets in cash or readily convertible to cash within one day, and 15% of its assets in cash or readily convertible to cash within one week. These requirements would better enable money market funds to meet redemption requests. A new average term-to-maturity limit is also proposed to limit the exposure of money market funds to long-term floating rate debt.

The CSA anticipates publishing the phase one amendments in final form by the end of 2011, with an effective date in early 2012. For more information, see Notice of Proposed Amendments to NI 81-102 Mutual Funds and NI 81-106 Investment Fund Continuous Disclosure, and Related Consequential Amendments.

In the next phase of the project, the CSA is proposing to implement certain key restrictions and operational requirements for non-redeemable investment funds (also referred to as "closed-end funds"), consistent with similar requirements for mutual funds. The CSA anticipates to publish for comment rule proposals on this phase in early 2012. For more information, on phases 1 and 2 of these proposals, see CSA Staff Notice 81-322.

Point of sale disclosure

Our Investment Funds Branch is also working with the CSA on point of sale disclosure for mutual funds. Point of sale disclosure is a multi-stage initiative to address concerns that most investors do not read or understand the information in a mutual fund's prospectus. In the first stage, effective January 1, 2011, mutual fund companies are required to prepare a Fund Facts document for each class or series of their mutual funds. As of July 8, 2011, a Fund Facts document must be filed with the regulator, made available upon request to investors and posted on the mutual fund's or its manager's web site.

The new Fund Facts document is intended to provide investors with more meaningful and effective disclosure. It is in plain language, no more than two pages double-sided and highlights key information about a mutual fund to investors. Investors will generally receive a Fund Facts when they buy a fund for the first time (at or before the "point of sale"). For more information, see Notice of Amendments to NI 81-101 Mutual Fund Prospectus Disclosure and related amendments.

For stage 2, the CSA published for comment on August 12, 2011 a proposal to allow delivery of the Fund Facts document to satisfy the current requirement to deliver a prospectus within two days of buying a mutual fund. For more information, see Implementation of Stage 2 of Point of Sale Disclosure for Mutual Funds.

For stage 3, the CSA plans to publish for further comment any proposed requirements that would implement point of sale delivery for mutual funds. They will also consider point of sale delivery for other types of publicly offered investment funds.

Registration of non-resident investment fund managers

For details on *Registration of non-resident investment fund managers,* see section 1.4 of this report.

5.4 Exempt market dealers

This section contains information specific to the approximately 650 exempt market dealers (EMDs) registered with us, including trends in deficiencies and suggested practices from compliance reviews. We also discuss specific outcomes and deficiencies from our focused reviews of higher risk EMDs, and new and proposed rules impacting them.

A. Trends in deficiencies from compliance reviews and suggested practices

KYC, suitability, and know your product obligations

As part of our ongoing reviews of EMDs, we continue to identify issues in the areas of KYC information, assessment of suitability, and knowledge of products recommended to clients. These include:

- inadequate collection and documentation of KYC information for clients
- inadequate assessment of suitability of investments for clients, and
- insufficient due diligence and knowledge of an investment product prior to recommending it to investors (referred to as “know your product”).

We remind EMDs of their obligations under section 13.2 of NI 31-103 to take reasonable steps to ensure they have sufficient and current KYC information for clients, including their investment needs and objectives, financial circumstances and risk tolerance. Also, EMDs are required under section 13.3 of NI 31-103 to take reasonable steps to ensure that all securities recommended to clients are suitable. To meet this suitability obligation, EMDs should also understand the structure and features of each investment product they recommend, including features such as costs, risks and investor eligibility requirements.

Suggested practices

EMDs and their registered individuals should ensure that they:

- have a process in place to collect and document sufficient KYC information for each client (for example by using a standard KYC form) so they can properly assess the suitability of the investment products they recommend
- have clients sign-off on their completed KYC forms
- have an in-depth understanding of:
    - the general features and structure of the product
    - the product risks including the risk/return profile and liquidity risks

  - the management and financial strength of the issuer
  - costs, and
  - any eligibility requirements for each product

  before recommending a product to clients
- perform an independent analysis of products before recommending them to clients, and
- perform ongoing due diligence of the issuer and products to assess changes to their structure or features and determine the impact on their clients' investments.

Trades with clients that are not accredited investors

Many EMDs are selling prospectus-exempt securities in reliance on the accredited investor exemption to investors who do not meet the definition of an accredited investor as set out in section 1.1 of NI 45-106. Common findings include:

- KYC information that indicates that the client does not qualify as an accredited investor, and
- Insufficient collection of KYC information to determine whether an investor is an accredited investor.

As set out in section 7.1(2)(d) of NI 31-103, an EMD can trade a security only where the trade or distribution is exempt from the prospectus requirement. Section 1.9 of the Companion Policy to NI 45-106 states that it is the responsibility of the person distributing or trading securities to determine whether an exemption is available. EMDs must ensure the information collected from investors supports the selling of prospectus-exempt securities using the accredited investor exemption.

Suggested practices

When selling prospectus-exempt securities to an accredited investor, EMDs should:

- have a process in place to collect and document sufficient KYC information for each client to determine whether the investor meets the definition of an accredited investor
- explain the accredited investor definition to clients before they complete their KYC form, so that their financial assets or net assets information on the KYC form is properly completed, and
- refer to OSC Notice 33-735 regarding the use of the accredited investor exemption, for additional guidance.

Supervision of dealing representatives

Some EMDs are not adequately supervising their dealing representatives, especially when representatives are working in different locations from their supervisor. For example, some dealing representatives did not adequately fulfill their KYC and suitability obligations, and did not have adequate knowledge of investment products recommended to investors. Since dealing representatives are the primary contact for investors, it is important that they are adequately trained in relevant securities law, their sponsoring firm's policies and procedures, and the investment products they recommend. EMDs have an ongoing obligation to monitor and supervise their registered individuals in an effective manner. Supervision of dealing representatives should be performed by an individual who has adequate training, knowledge and authority. EMDs should establish and maintain procedures for supervising their dealing representatives, and maintain evidence of their supervisory reviews.

Section 32(2) of the Act requires registrants to establish and maintain systems of control and supervision for controlling their activities and supervising their representatives. Also, section 11.1 of 31-103CP, under the heading "Day-to-day supervision", states that anyone who supervises registered individuals has a responsibility on behalf of the firm to take all reasonable measures to ensure that each of these individuals:

- deals fairly, honestly and in good faith with their clients
- complies with securities legislation
- complies with the firm's policies and procedures, and
- maintains an appropriate level of proficiency.

Suggested practices

EMDs should provide ongoing training for their dealing representatives so that they:

- are aware of the securities laws impacting their activities
- understand their sponsoring firm's policies and procedures
- have an in-depth understanding of the products they recommend to clients, and
- are informed of any changes to the above on a timely basis.

EMDs should develop written policies and procedures to supervise the activities of their dealing representatives, including:

- the activities to be supervised and by whom
- the frequency of supervision, and
- how the supervision will be evidenced.

Trading in securities without registration

Some individuals, acting on behalf of an EMD, are trading in securities without being registered as a dealing representative with the EMD.

Section 25(1)(b) of the Act requires a person that engages in the business of trading in securities, or holds himself or herself out as doing so, to register as a dealing representative of a registered dealer and to act on behalf of that dealer, unless an exemption applies.

We also remind firms in other categories of registration to assess whether their business activities require EMD registration, especially when there is a change in their activities.

Suggested practices

EMDs should:

- assess whether a change in an individual's role, responsibilities or activities within the firm requires them to be registered
- assess whether changes to the firm's business activity requires registration (for the firm and individuals acting on its behalf) in another category under securities law, and
- obtain qualified legal advice when it is unclear whether activities performed require registration.

Marketing and client disclosure

The marketing practices of EMDs continues to be an area of concern for us. Many EMDs are providing materials to investors with information that is outdated, misleading, or contains unsubstantiated claims. In addition, we identified a continued lack of disclosure to investors on conflicts of interest, particularly with EMDs who trade in securities of related and connected issuers.

Section 44(2) of the Act prohibits any person or company (including EMDs and anyone acting on their behalf) from making untrue or misleading statements about any matter relevant to a reasonable investor who is deciding to enter into or maintain a trading relationship with that person or company. Furthermore, section 2.1 of OSC Rule 31-505 requires registrants to deal fairly, honestly and in good faith with their clients. This provision is a broad principle that applies to registrants generally. We expect registrants to apply it to all areas of their activities, including marketing practices and marketing materials. For additional guidance, please see CSA Notice 31-325 which provides guidance to market participants to help them comply with applicable legislation and best practices in the preparation and use of marketing materials.

Also, section 13.4(3) of NI 31-103 requires EMDs to provide timely disclosure to their clients on the nature and extent of existing or potential material conflicts of interest between the EMD (including each individual acting on its behalf), and the client. In our view, this includes disclosing to clients any conflicts of interest that could impact a client's decision to purchase an investment product. The disclosure should be provided when a reasonable investor would expect to be informed of the conflict. In our view, this is before or at the time an EMD recommends a security transaction that gives rise to the conflict. For additional guidance on conflicts of interest, see section 13.4 of 31-103CP.

Suggested practices

EMDs should:

- provide clear and adequate disclosure in marketing materials to ensure that the information is complete, accurate and meaningful
- substantiate all claims made in marketing materials (information supporting the claim should be referenced to where the claim is made in the marketing material so that investors can easily assess the merits of the claim)
- update marketing materials regularly to ensure all information is complete, accurate and current, and
- provide prominent, specific and clear disclosure to its clients that explains any conflicts of interest and how it could affect the client.

B. Reviews of higher risk exempt market dealers

In October 2009, we sent a risk assessment questionnaire (RAQ) to all EMDs registered in Ontario to help us determine which firms to select for a compliance review and what areas to focus on. Based on the responses, some firms were assessed as higher risk, and included as part of a desk review in May 2010. The objective of the desk review was to obtain additional information on the firm's business structure, products and services, KYC and accredited investor information, and marketing and disclosure practices. Based on the desk review, a number of these EMDs were selected to undergo an on-site compliance review. We also reviewed a random sample of EMDs who ranked in the other risk categories to test the effectiveness of our risk-based approach.

We consider the risk ranking of EMDs to be an effective tool and will continue to use a risk-based approach in selecting them for review. For more information on our updated RAQ and planned reviews of higher risk registrants, see section 5.1B of this report.

In December 2010, we began our on-site compliance reviews. The compliance reviews focused on key risk areas relating to:

- KYC and suitability
- Know your product
- Custody and handling of investor assets
- Disclosure to investors
- Client account reporting
- Marketing to investors
- Referral arrangements
- Compliance structure and supervision

Our reviews resulted in one or more of the following outcomes:

- a deficiency report was sent to senior management of the EMD that outlined non-compliance with Ontario securities law, and required appropriate corrective actions to be taken by the firm
- terms and conditions were imposed on the firm's (and its registered individuals') registration
- referral to the CRR Branch's Registrant Conduct and Risk Analysis Team
- referral to the OSC's Enforcement Branch
- suspension of the firm's (and its registered individuals') registration.

Trends found at higher risk exempt market dealers

We identified a disproportionate rate of compliance deficiencies among EMDs that distribute the securities of related or connected issuers, where the same individuals form the management of both the EMD and the issuer.

In addition to the trends in deficiencies discussed in section 5.4A of this report, the following are specific deficiencies that were identified during the higher risk EMD reviews that we will continue to focus on in future EMD reviews.

Inappropriate use of investor monies

Some EMDs used proceeds raised from investors through their related or connected issuers for purposes that are inconsistent with the investment objectives that are disclosed and marketed to the investors. Specific examples include:

- investor monies being lent to related parties or related issuers on an unsecured basis, bearing no interest and without repayment terms. These related party transactions were not disclosed to investors, and
- investor monies being used to pay for the operational expenses of EMDs, including salaries, rent, legal fees and other administrative expenses.

Section 2.1 of OSC Rule 31-505 requires EMDs to deal fairly, honestly and in good faith with their clients. We expect EMDs to apply this principle to all areas of their activities, including handling of client money in accordance with the use of proceeds disclosed to investors.

Suggested practices

EMDs should:

- provide clear and adequate disclosure to investors regarding the use of investor proceeds
- have policies in place to ensure investor money is used in accordance with the stated investment objectives, and
- disclose related parties and existing or potential conflicts of interest, including fees and payments to related parties.

Outside business activities

Registered individuals are required to disclose to investors and to the OSC potential conflicts of interest. This requirement includes disclosure of outside business activities. Many EMDs failed to disclose outside business activities, including:

- acting as an officer, director or in an equivalent position for a company other than their registered firm, and
- employment with a company other than their registered firm.

Suggested practices

EMDs should:

- provide clients with clear, adequate and timely disclosure of outside business activities
- have policies in place to ensure all registered individuals disclose new outside business activities to the OSC in accordance with NI 33-109, and
  - refer to CSA Notice 31-326 *Outside Business Activities* for additional guidance on a registrant's obligation to disclose all outside business activities.

Working capital and insurance requirements

We continue to identify EMDs with inadequate working capital and insurance coverage. These deficiencies are discussed in section 5.1E of this report.

C. New and proposed rules impacting exempt market dealers

EMD client account statements

EMDs are required by section 14.14 of NI 31-103 to deliver client account statements at least quarterly. EMDs may also be required to deliver a monthly account statement if a transaction is made for the client during the month. Account statements have two main components:

- transactional information relating to transactions made for the client during the period, and
- account balance information relating to cash and securities "in the account" of a client at the end of the period.

The current regulatory requirements do not specify what securities are considered to be "in the account" of a client for EMDs. So it may be difficult for EMDs to provide clients with account balance information without specific guidance regarding which securities are considered to be "in the account". To address this, we are working on developing proposals for further requirements or guidance on the content of account statements. Until this is completed, we do not expect EMDs to deliver end of the month account statements or include account balance information in quarterly statements for securities of clients that are not held or controlled by the firm. However, we do expect EMDs to deliver quarterly account statements containing transactional information for any transactions effected for clients, and account balance information for all cash and securities of clients that the firm holds or controls.

For EMDs that are also registered in another dealer category or as an adviser, our expectation is that they will provide all of their clients with account statements that are consistent with their practices under their other category of registration. Similarly, an EMD that is also registered in a category that requires membership in an SRO must comply with the applicable SRO's rules.

For more information, see CSA Staff Notice 31-324 *Exempt market dealers and account statement requirements in NI 31-103*, which we published in June, 2011.

Accredited investor exemption

Some EMDs that sell prospectus-exempt securities are improperly using the accredited investor exemption. For details, see *Use of accredited investor exemption* in section 5.1D of this report.

Direct electronic access (DEA)

Under Proposed NI 23-103, EMDs are precluded from using DEA. The CSA's position is that a dealer that wants to use DEA should be an IIROC member and subject to the Universal Market Integrity Rules. For more information, see *Direct electronic access* in section 5.2E of this report.

6. Additional resources

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6. Additional resources

This section discusses how registrants can get more information about their obligations.

The CRR Branch works to foster a culture of compliance through outreach and other initiatives. We try to assist registrants in meeting their regulatory requirements in a number of ways.

We encourage registrants to visit the OSC's web site at www.osc.gov.on.ca for more information regarding their obligations. The "Information for Dealers, Advisers and Investment Fund Managers" section provides firms and individuals with detailed information about the registration process and their ongoing obligations under the new regime. It also includes information about compliance reviews and suggested practices, and provides quick links to forms and rules.

Registrants may also contact us. Please see the Appendix to this report for the CRR Branch's contact information. The CRR Branch's portfolio manager, investment fund manager and dealer teams focus on registration, oversight, policy changes, and exemption applications for their respective registration categories. The Registrant Conduct and Risk Analysis team supports the other teams in cases of potential registrant misconduct, and reviews registrant submissions regarding financial reporting, such as audited annual financial statements and calculations of excess working capital. They also lead projects to improve the CRR Branch's operations.

The CRR Branch also plans to host a half-day information session for registrants later this fiscal year. At this session, we intend to provide updates on the new regime for registrants, along with hot topics, compliance guidance and practice tips, and a question and answer period.

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OSC ONTARIO SECURITIES COMMISSION

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September 23, 2011

Ontario

OSC ONTARIO SECURITIES COMMISSION

1.1.3 Alexander Christ Doulis et al. – Notice of Correction

NOTICE OF CORRECTION

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

AND

IN THE MATTER OF
ALEXANDER CHRIST DOULIS
(aka ALEXANDER CHRISTOS DOULIS,
aka ALEXANDROS CHRISTODOULIDIS)
and LIBERTY CONSULTING LTD.

(2011), 34 O.S.C.B. 9594. On page 9594, the final recital of the Order reads:

> **AND WHEREAS**, having considered the evidence given and the submissions made at the Hearing, for the reasons issued on September 6, 2011, it is the opinion of the Commission that it is in the public interest to issue the Temporary Order requested by Staff;

This should read instead:

AND WHEREAS, having considered the evidence given and the submissions made at the Hearing, for the reasons issued on September 9, 2011, it is the opinion of the Commission that it is in the public interest to issue the Temporary Order requested by Staff;

1.2 Notices of Hearing

1.2.1 Zungui Haixi Corporation – ss. 127(7), 127(8)

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

AND

IN THE MATTER OF
ZUNGUI HAIXI CORPORATION

NOTICE OF HEARING
(Subsections 127(7) and 127(8))

WHEREAS on September 16, 2011, the Ontario Securities Commission (the "Commission") issued a temporary order pursuant to subsections 127(1) and 127(5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") that all trading in the securities of Zungui Haixi Corporation ("Zungui") cease (the "Temporary Order");

TAKE NOTICE THAT the Commission will hold a hearing (the "Hearing") pursuant to subsections 127(7) and (8) of the Act at the offices of the Commission at 20 Queen Street West, 17th Floor Hearing Room on September 28, 2011 at 11:00 a.m. or as soon thereafter as the Hearing can be held:

TO CONSIDER: whether, in the opinion of the Commission, it is in the public interest for the Commission:

(i) to extend the Temporary Order, pursuant to subsections 127(7) and (8) of the Act, until November 10, 2011, or until such further time as is ordered by the Commission; and

(ii) to make such further orders as the Commission considers appropriate.

BY REASON OF the recitals set out in the Temporary Order and such allegations and evidence as counsel may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceeding may be represented by counsel at the Hearing;

AND TAKE FURTHER NOTICE that upon 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 further notice of the proceeding.

DATED at Toronto this 19th day of September, 2011

"Josée Turcotte"
per: John Stevenson
Secretary to the Commission

1.3 News Releases

1.3.1 Saverio Manzo Settles with the Ontario Securities Commission

FOR IMMEDIATE RELEASE
September 14, 2011

SAVERIO MANZO SETTLES WITH THE ONTARIO SECURITIES COMMISSION

TORONTO – The Ontario Securities Commission today approved a settlement agreement reached between Staff and Saverio Manzo, who admitted to conduct contrary to the public interest relating to his trading in shares of Covalon Technologies Ltd. ("Covalon"). This was the second order made in the Covalon matter, following the order made September 2, 2011 in the matter of Anthony Ianno.

Saverio Manzo admitted that, in the period between January 2007 and April 2008, he purchased approximately 935,000 Covalon shares. He admitted that, in the period between November 2007 and April 2008, he engaged in trading in which he intended to raise or maintain the price of Covalon shares. A significant portion of his trades during this period created an uptick in the price of Covalon shares, and a significant portion of his trades occurred within 15 minutes of the close of the trading day.

Under the settlement agreement, Saverio Manzo is banned from trading securities (subject to certain exceptions) for a period of four years. He is also banned from acting as an officer or director of a public company, as a registrant, or as a promoter for a period of four years. Saverio Manzo has agreed to make a payment of $25,000 towards the Commission's costs of the investigation in this matter, and a further voluntary payment of $25,000.

"This settlement marks the end of the proceedings related to trading by Mr. Ianno and Mr. Manzo in Covalon – trading in which they each acknowledged they raised or maintained the price of Covalon," said Tom Atkinson, Director of Enforcement at the Ontario Securities Commission. "The sanctions include lengthy bans for each of Mr. Ianno and Mr. Manzo from participation in Ontario capital markets and these sanctions are commensurate with our mandate to be forward looking in the protection of our markets".

A copy of the Settlement Agreement and Order of the Commission in this matter are available on the OSC website at www.osc.gov.on.ca.

The mandate of the OSC is to provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets. Investors are urged to check the registration of any person or company offering an investment opportunity and to review the OSC's investor materials available at www.osc.gov.on.ca.

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1.4 Notices from the Office of the Secretary

1.4.1 Bernard Boily

FOR IMMEDIATE RELEASE
September 14, 2011

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

AND

IN THE MATTER OF
BERNARD BOILY

TORONTO – The Commission issued an Order in the above named matter which provides that this matter is adjourned to a confidential pre-hearing conference to be held on November 10, 2011 at 10:00 a.m.; and the hearing on the merits shall commence on April 2, 2012 at 10:00 a.m. at the offices of the Commission, 20 Queen Street West, 17th Floor, Toronto, Ontario and shall continue on the following dates: April 3, 4, 5, 9, 11, 12, 13, 16, 17, 18, 19, 20, 23, 25, 26 and 27, 2012.

A copy of the Order dated September 13, 2011 is available at **www.osc.gov.on.ca**.

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JOHN P. STEVENSON
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1.4.2 Anthony Ianno and Saverio Manzo

FOR IMMEDIATE RELEASE
September 14, 2011

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

AND

IN THE MATTER OF
ANTHONY IANNO AND SAVERIO MANZO

AND

IN THE MATTER OF
SETTLEMENT AGREEMENT BETWEEN STAFF OF
THE ONTARIO SECURITIES COMMISSION AND
SAVERIO MANZO

TORONTO – Following a hearing held today, the Commission issued an Order in the above named matter approving the Settlement Agreement reached between Staff of the Commission and Saverio Manzo.

A copy of the Order dated September 14, 2011 and Settlement Agreement dated September 14, 2011 are available at **www.osc.gov.on.ca**.

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1.4.3 Anthony Ianno and Saverio Manzo

FOR IMMEDIATE RELEASE
September 14, 2011

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

AND

IN THE MATTER OF
ANTHONY IANNO AND SAVERIO MANZO

TORONTO – The Commission issued an Order vacating the hearing dates in the above named matter.

A copy of the Order dated September 14, 2011 is available at **www.osc.gov.on.ca**.

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1.4.4 Ian Overton

FOR IMMEDIATE RELEASE
September 15, 2011

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

AND

IN THE MATTER OF
IAN OVERTON

TORONTO – The Commission issued an Order in the above named matter approving the Settlement Agreement reached between Staff of the Commission and Ian Overton.

A copy of the Order dated September 14, 2011 and Settlement Agreement dated September 8, 2011 are available at **www.osc.gov.on.ca**.

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1.4.5 Canadian Derivatives Clearing Corporation and Sino-Forest Corporation et al.

FOR IMMEDIATE RELEASE
September 15, 2011

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

AND

IN THE MATTER OF
CANADIAN DERIVATIVES CLEARING CORPORATION

AND

IN THE MATTER OF
SINO-FOREST CORPORATION, ALLEN CHAN, ALBERT IP, ALFRED C.T. HUNG, GEORGE HO AND SIMON YEUNG

TORONTO – The Commission issued an Order in the above named matter.

A copy of the Order (Section 144) dated September 15, 2011 is available at **www.osc.gov.on.ca**.

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1.4.6 Richvale Resource Corporation et al.

FOR IMMEDIATE RELEASE
September 16, 2011

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

AND

IN THE MATTER OF
RICHVALE RESOURCE CORPORATION, MARVIN WINICK, HOWARD BLUMENFELD, JOHN COLONNA, PASQUALE SCHIAVONE, AND SHAFI KHAN

TORONTO – Staff of the Ontario Securities Commission filed an Amended Statement of Allegations dated September 13, 2011 with the Office of the Secretary in the above noted matter.

A copy of the Amended Statement of Allegations dated September 13, 2011 is available at **www.osc.gov.on.ca**.

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

AND

**IN THE MATTER OF
RICHVALE RESOURCE CORPORATION,
MARVIN WINICK, HOWARD BLUMENFELD,
JOHN COLONNA, PASQUALE SCHIAVONE,
AND SHAFI KHAN**

**AMENDED STATEMENT OF ALLEGATIONS OF STAFF
OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission ("Staff") make the following allegations:

THE RESPONDENTS

1. Tess Security Services (2002) Inc. ("Tess") was incorporated in Ontario in July, 2002.

2. On August 8, 2008, the corporate name of Tess was changed to Richvale Resource Corporation ("Richvale").

3. The registered office address for Richvale was care of Marvin Winick ("Winick") at 14 Pico Crescent, Thornhill, Ontario. This is Winick's residential address.

4. Winick is a registered Director of Richvale.

5. Howard Blumenfeld is a registered Director of Richvale and the registered Secretary and Treasurer of Richvale. Blumenfeld is a resident of Ontario.

6. John Colonna ("Colonna") is a resident of Ontario and was a directing mind of Richvale.

7. Pasquale Schiavone ("Schiavone") is listed on the Richvale website and in Richvale promotional material as a Director and the President of Richvale. Schiavone is a resident of the Province of Quebec.

8. Shafi Khan ("Khan") is a resident of Ontario and was a salesperson of the Richvale securities.

II. BACKGROUND

- **Trading in Securities of Richvale**

9. Staff allege that Richvale, Blumenfeld, Winick, Colonna, Schiavone and Khan (collectively the "Respondents") traded in securities of Richvale between and including August 8, 2008 and December 31, 2009 (the "Material Time").

10. During the Material Time, the Respondents traded and engaged or held themselves out as engaging in the business of trading securities of Richvale from the Toronto area. Richvale never filed a prospectus or a preliminary prospectus with the Ontario Securities Commission (the "Commission") and Richvale has never been registered with the Commission.

11. Winick, Blumenfeld, Colonna, Schiavone and Khan were not registered with the Commission in any capacity during the Material Time.

12. Winick, Blumenfeld, Colonna and Schiavone were the directing minds of Richvale during the Material Time (the "Directing Minds").

13. During the Material Time, residents of several Canadian provinces received unsolicited phone calls from salespersons, agents and representatives of Richvale and were solicited to purchase shares of Richvale.

14. Khan was the principal salesperson of the Richvale securities.

15. The salespersons, agents and representatives of Richvale told potential investors that Richvale would be going public in the future. Potential investors were also told that Richvale owned certain properties in the Province of Quebec.

16. During the Material Time, approximately $753,000 (the "Investor Funds") was received from approximately 27 individuals and companies (collectively the "Investors") that purchased shares of Richvale as a result of being solicited to do so by the salespersons, agents and representatives of Richvale. The Investors were resident in several Canadian provinces.

17. The Investors' funds (the "Investor Funds") were sent to bank accounts held by Richvale at the Royal Bank of Canada and the Bank of Nova Scotia (the "Richvale Bank Accounts"). The Richvale Bank Accounts were both located in Ontario.

18. The Respondents participated in acts, solicitations, conduct, or negotiations directly or indirectly in furtherance of the sale or disposition of securities for valuable consideration, in circumstances where there were no exemptions available to the Respondents under the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act").

- **Fraudulent Conduct**

19. During the Material Time, the Respondents and other employees, representatives or agents of Richvale provided information to the Investors that was false, inaccurate and misleading, including, but not limited to, the following:

(a) That salespersons of Richvale were paid in Richvale shares and were not paid commissions;

(b) The names used by the sales representatives of Richvale were not their true names;

(c) That Richvale would be going public on a stock exchange in a matter of weeks;

(d) That the net proceeds of the sale of Richvale securities would be used primarily for costs associated with the exploration of the properties owned by Richvale, for ongoing operations and to acquire other properties or entities;

(e) Richvale claimed that they "build value by advancing our operations, building new projects and pursuing exploration opportunities";

(f) That Richvale claimed to hold certain land claims during the Material Time when these land claims had expired; and

(g) Content on the Richvale website was false or misleading to investors, including statements with respect to the compensation of Directors and/or Officers of Richvale and the business experience of the Directors and/or Officers of Richvale.

20. The false, inaccurate and misleading representations were made with the intention of effecting trades in Richvale securities.

21. The Richvale website listed the Richvale "Greater Toronto Area Satellite Office" being located at 8171 Yonge Street, Suite 11, Thornhill, Ontario. This address was a UPS Store mailbox.

22. Khan used the aliases "Dave Isaac" and "Sam Binder" when selling Richvale securities to members of the public. The directing minds of Richvale were aware that aliases were being used when Richvale securities were being sold to the public.

23. Some of the Investor Funds were used to make personal interest-free loans to friends of certain of the Directing Minds of Richvale. This was never disclosed to the Investors.

24. Between 30% to 50% of the Investor Funds were paid out as commissions to Khan for the sale of Richvale securities. This was never disclosed to the Investors.

25. Approximately 74% of the Investor Funds were paid out to Khan, Blumenfeld, Winick or removed from Richvale bank accounts in the form of cash.

26. Only 6% of the Investor Funds were used to renew land claims on certain properties in Quebec.

27. Richvale did not engage in any exploration on the properties for which it held land claims.

28. The Respondents and other employees, representatives or agents of Richvale engaged in a course of conduct relating to securities that they knew or reasonably ought to have known would result in a fraud on persons purchasing securities of Richvale.

III. Conduct Contrary to Ontario Securities Law and Contrary to the Public Interest

29. The specific allegations advanced by Staff are:

(a) During the Material Time, the Respondents engaged or participated in acts, practices or courses of conduct relating to securities of Richvale that the Respondents knew or reasonably ought to have known perpetrated a fraud on persons or companies, contrary to section 126.1(b) of the Act and contrary to the public interest;

(b) During the Material Time, the Respondents traded and engaged or held themselves out as engaging in the business of trading securities without being registered to trade in securities, contrary to the present section 25(1), contrary to the former section 25(1)(a) of the Act[1] and contrary to the public interest;

(c) During the Material Time, Richvale, Khan and representatives of Richvale made representations without the written permission of the Director, with the intention of effecting a trade in securities of Richvale, that such security would be listed on a stock exchange or quoted on any quotation and trade reporting system, contrary to section 38(3) of the Act and contrary to the public interest;

(d) During the Material Time, the Respondents traded in securities of Richvale when a preliminary prospectus and a prospectus had not been filed and receipts had not been issued for them by the Director, contrary to section 53(1) of

[1] The present section 25(1) of the Act came into force during the Material Time, on September 28, 2009, and the former section 25(1)(a) was repealed.

the Act and contrary to the public interest;

(e) During the Material Time, Winick, Blumenfeld, Colonna and Schiavone, being directors and/or officers of Richvale, did authorize, permit or acquiesce in the commission of the violations of sections 25, 38, 53 and 126.1 of the Act, as set out above, by Richvale or by the employees, agents or representatives of Richvale, contrary to section 129.2 of the Act and contrary to the public interest;

30. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

DATED at Toronto, September 13, 2011.

1.4.7 Normand Gauthier et al.

FOR IMMEDIATE RELEASE
September 16, 2011

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

AND

IN THE MATTER OF
NORMAND GAUTHIER,
GENTREE ASSET MANAGEMENT INC.,
R.E.A.L. GROUP FUND III (CANADA) LP, AND
CANPRO INCOME FUND I, LP

TORONTO – The Commission issued an Order in the above named matter which provides that, pursuant to section 127 of the Act, 1) the Temporary Order shall remain in effect until such further order of the Commission; and 2) the hearing is adjourned to September 26, 2011 at 10:00 a.m. or to such other date or time as may be agreed to by the parties and arranged through the Office of the Secretary for a hearing or for such other purposes as may be requested.

A copy of the Order dated September 15, 2011 is available at **www.osc.gov.on.ca**.

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1.4.8 Zungui Haixi Corporation

FOR IMMEDIATE RELEASE
September 16, 2011

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

AND

IN THE MATTER OF
ZUNGUI HAIXI CORPORATION

TORONTO – The Commission issued a Temporary Order in the above named matter.

A copy of the Temporary Order dated September 16, 2011 is available at **www.osc.gov.on.ca**.

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1.4.9 Maitland Capital Ltd. et al.

FOR IMMEDIATE RELEASE
September 19, 2011

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

AND

IN THE MATTER OF
MAITLAND CAPITAL LTD., ALLEN GROSSMAN,
HANOCH ULFAN, LEONARD WADDINGHAM,
RON GARNER, GORD VALDE,
MARIANNE HYACINTHE, DIANNA CASSIDY,
RON CATONE, STEVEN LANYS,
ROGER MCKENZIE, TOM MEZINSKI,
WILLIAM ROUSE AND JASON SNOW

TORONTO – The Commission issued an order in the above named matter which provides that the hearing in respect of Steven Lanys, William Rouse and Tom Mezinski shall commence on February 15 and continue on February 16 and 17, 2012; and the title of proceeding be amended to change “Diana Cassidy” to “Dianna Cassidy”.

A copy of the Order dated September 2, 2011 is available at **www.osc.gov.on.ca**.

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1.4.10 Peter Beck et al.

FOR IMMEDIATE RELEASE
September 20, 2011

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

AND

IN THE MATTER OF
PETER BECK, SWIFT TRADE INC.
(continued as 7722656 Canada Inc.),
BIREMIS, CORP., OPAL STONE FINANCIAL
SERVICES S.A., BARKA CO. LIMITED,
TRIEME CORPORATION and a limited partnership
referred to as "ANGUILLA LP"

TORONTO – Following the hearing held on September 1, 2011, the Commission issued an Order in the above noted matter.

A copy of the Order dated September 1, 2011 is available at **www.osc.gov.on.ca**.

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1.4.11 Sextant Capital Management Inc. et al.

FOR IMMEDIATE RELEASE
September 20, 2011

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

AND

IN THE MATTER OF
SEXTANT CAPITAL MANAGEMENT INC.,
SEXTANT CAPITAL GP INC., OTTO SPORK,
KONSTANTINOS EKONOMIDIS, ROBERT LEVACK
AND NATALIE SPORK

TORONTO – Following the release of the Reasons and Decision dated May 17, 2011 on the hearing on the merits, a sanctions hearing was set down to be heard on September 22 and 23, 2011.

Take notice that the sanctions hearing is adjourned on consent to December 7, 2011 in the above named matter.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
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1.4.12 Zungui Haixi Corporation

FOR IMMEDIATE RELEASE
September 21, 2011

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

AND

IN THE MATTER OF
ZUNGUI HAIXI CORPORATION

TORONTO – The Office of the Secretary issued a Notice of Hearing in the above named matter setting the matter down to be heard on September 28, 2011 at 11:00 a.m. to consider whether it is in the public interest for the Commission to extend the Temporary Order made as of September 16, 2011.

A copy of the Notice of Hearing dated September 19, 2011 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 GrowthWorks Canadian Fund Ltd. and GrowthWorks Ltd.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – relief to permit dissident investment fund to solicit proxies by broadcast, speech or publication provided that the dissident complies with the applicable requirements of National Instrument 51-102 Continuous Disclosure Obligations – relief required in context of a proxy contest related to a proposed reorganization of certain mutual funds – relief limited to soliciting proxies to oppose transaction put forward by management.

Applicable Legislative Provisions

National Instrument 81-106 Investment Fund Continuous Disclosure, ss. 12.2(2)(b), 17.1.

July 15, 2011

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
GROWTHWORKS CANADIAN FUND LTD.
AND GROWTHWORKS LTD.
(the "Filers")

DECISION

Background

The securities regulatory authority or regulator in the Jurisdiction (the "**Principal Regulator**") has received an application from the Filers for a decision under the securities legislation of the Jurisdiction (the "**Legislation**") of the Principal Regulator for a decision (the "**Exemption Sought**") that pursuant to Part 17 of National Instrument 81-106 *Investment Fund Continuous Disclosure* ("**NI 81-106**") the Filers be exempted from the requirements of section 12.2(2)(b) of NI 81-106 with respect to the solicitation of proxies by the Filers in connection with shareholder meetings, including any adjournment(s) or postponement(s) thereof, of The VenGrowth Investment Fund Inc. ("**VG I**"), The VenGrowth II Investment Fund Inc. ("**VG II**"), The VenGrowth III Investment Fund Inc. ("**VG III**"), The VenGrowth Traditional Industries Fund Inc. ("**VG T**I") and The VenGrowth Advanced Life Sciences Fund Inc. ("**VG ALS**" and, collectively with VG I, VG II, VG III and VG TI, the "**VenGrowth Funds**") to consider the Covington Proposal (as defined below).

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 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 each of the Non-Principal Jurisdictions.

Interpretation

Terms defined in 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 Filers:

1. GrowthWorks Canadian Fund Ltd. ("**Canadian Fund**") is a reporting issuer in each of the provinces and territories of Canada and is an investment fund for the purposes of Canadian securities laws. GrowthWorks Ltd. is not a reporting issuer in any province or territory of Canada. The head office of each of GrowthWorks Ltd. and the manager of Canadian Fund is located in Vancouver, British Columbia. The Filers are not in default of the securities legislation in any of those jurisdictions.

2. The VenGrowth Funds are labour-sponsored venture capital corporations ("**LSVCCs**"). VG I and VG II are corporations governed by the *Business Corporations Act* (British Columbia) (the "**BCBCA**"). VG III, VG TI and VG ALS are corporations governed by the *Canada Business Corporations Act* (the "**CBCA**"). The VenGrowth Funds are reporting issuers in the Principal Jurisdiction and some or all of the other provinces and territories of Canada and are investment funds for the purposes of Canadian securities laws. The head office of each of the managers of

the VenGrowth Funds is located in Toronto, Ontario.

3. VG III, VG TI and VG ALS each have three classes of shares: Class A shares held by the public, Class B shares held by the manager of the fund and Class C shares held by the fund sponsor. VG I and VG II have two classes of shares: Class A shares held by the public and Class B shares held by the manager of the fund. There are in aggregate over 130,000 Class A shareholders of the VenGrowth Funds ("**Class A Shareholders**").

4. On July 7, 2011, the VenGrowth Funds announced that they had entered into a definitive agreement with Covington Capital Fund II Inc. regarding a merger proposal (the "**Covington Proposal**") and have called shareholder meetings to be held on August 25, 2011 (the "**August Meetings**") to consider that proposal.

5. The Filers wish to communicate with the Class A Shareholders in advance of the August Meetings, including any adjournment(s) or postponement(s) thereof, to solicit proxies from Class A Shareholders voting against the Covington Proposal (the "**Solicitations**").

6. The Filers wish to conduct the Solicitations by public broadcast, speech or publication, but without sending a physical copy of a dissident's proxy circular and form of proxy to each of the Class A Shareholders.

7. If any Solicitation refers to an alternative proposal to be made by the Filers to the Class A Shareholders (an "**Alternative Proposal**") the Filers will produce an information circular or other document (an "**Alternative Proposal Disclosure**") that will be posted to the Filers' website and filed on SEDAR and which will provide full disclosure of all material terms of the Alternative Proposal and prominently and clearly describe all known risks to such Alternative Proposal not being completed and any material all conditions to its completion.

8. Any Solicitation which refers to an Alternative Proposal will indicate that the Alternative Proposal is subject to risks and conditions to its completion and will disclose that the Alternative Proposal Disclosure is available on the Filers' website and on SEDAR.

9. Section 12.2(2)(b) of NI 81-106 provides that no person shall solicit proxies from registered holders of an investment fund that is a reporting issuer unless a dissident's proxy circular and form of proxy are provided to each holder whose proxy is solicited (the "**Circular Requirement**"). Section 12.3 of NI 81-106 provides exemptions from the Circular Requirement for solicitations only in respect of securities of which the person making the solicitation is the beneficial owner (the "**Beneficial Owner Exemption**") and solicitations where the total number of securityholders whose proxies are solicited is not more than 15 (the "1**5 Securityholder Exemption**").

10. The BCBCA does not contain any restrictions on the solicitation of proxies in respect of reporting issuers. Section 150(1)(b) of the CBCA contains the Circular Requirement and Section 150(1.1) of the CBCA contains the 15 Securityholder Exemption. In 2001, the CBCA restrictions on proxy solicitation were further relaxed, pursuant to Section 150(1.2), to permit a person other than management of a corporation to solicit proxies without preparing and sending an information circular to shareholders if the solicitation is conveyed by public broadcast, speech or publication that includes certain prescribed information (the "**CBCA Broadcast Exemption**").

11. Prior to 2008, Sections 9.1 and 9.2 of National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**"), which applies to all reporting issuers other than investment funds, contained the same proxy solicitation regime as Sections 12.2 and 12.3 of NI 81-106, including the Circular Requirement, the Beneficial Owner Exemption and the 15 Securityholder Exemption. In July 2008, Section 9.2 of NI 51-102 was amended by adding subsections (4), (5) and (6), which provided for an exemption similar to the CBCA Broadcast Exemption, subject to certain additional disclosure requirements where the solicitation was in connection with a proposed significant acquisition or restructuring transaction or where the soliciting person is nominating or proposing to nominate a person for election as a director of the corporation (the "**Enhanced Broadcast Exemption**").

12. The Enhanced Broadcast Exemption was not added to NI 81-106; however, Part 17 of NI 81-106 provides that the Principal Regulator may make an order on any terms it considers appropriate exempting GrowthWorks from the application of any part of NI 81-106, including the Circular Requirement.

13. The Filers would be entitled to rely on the Enhanced Broadcast Exemption but for the fact that the VenGrowth Funds are investment funds.

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 Solicitations are made to the Class A Shareholders by broadcast, speech or publication and the Filers comply with the requirements of subsections 9.2(4), 9.2(5) and 9.2(6) of NI 51-102 as if those subsections applied to proxy solicitations in respect of the VenGrowth Funds; and

(b) a copy of this order is provided to the VenGrowth Funds.

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

2.1.2 Royal Canadian Mint

Headnote

NP 11-203 – Relief from Continuous disclosure and insider reporting requirements – Filer is a Canadian crown corporation – Filer issuing exchange traded receipts which constitute direct unconditional obligations of the Filer and Her Majesty in right of Canada – The receipts are listed for trading on the Toronto Stock Exchange – Filer will provide an Information Statement at time of distribution and maintain additional information on a website – The Securities Act, R.S.O. 1990, c. S.5 - National Instrument 51-102 Continuous Disclosure Obligations – Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings – National Instrument 52-108 – Auditor Oversight – Multilateral Instrument 52-110 – Audit Committees – National Instrument 58-101 – Disclosure of Corporate Governance Practices – National Instrument 13-101 – System for Electronic Document Analysis and Retrieval – National Instrument 55-102 System for Electronic Disclosure by Insiders – OSC Rule 13-502 – Fees.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S5, s. 74.
National Instrument 51-102 Continuous Disclosure Obligations, s. 13.1.
National Instrument 52-108 Auditor Oversight, Part 2.
Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, s. 4.5.
Multilateral Instrument 52-110 Audit Committees, s. 8.
National Instrument 58-101 Disclosure of Corporate Governance Practices, Part 2.
National Instrument 13-101 System for Electronic Document Analysis and Retrieval, s. 7.1.
National Instrument 55-102 System for Electronic Disclosure by Insiders, s. 6.1.
OSC Rule 13-502 Fees, s. 2.2.

August 30, 2011

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

AND

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

AND

IN THE MATTER OF
THE ROYAL CANADIAN MINT
(THE "FILER")

DECISION

Background

The securities regulatory authority or regulator in the Principal Jurisdiction (the "**Principal Regulator**") has received an application from the Filer for a decision under the securities legislation of the Principal Jurisdiction (the "**Principal Legislation**") of the Principal Regulator for the following relief (the "**Requested Relief**"):

(a) pursuant to section 74(1) of the *Securities Act* (Ontario) (the "**Act**"), and the equivalent provisions of the securities legislation of each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, the Yukon, Northwest Territories and Nunavut (collectively, the "**Non-Principal Jurisdictions**"), that the prospectus requirements in section 53(1) of the Act, and the equivalent provisions of the securities legislation of each of the Non-Principal Jurisdictions (collectively, the "**Prospectus Requirements**"), shall not apply to the Filer in respect of the distribution by the Filer of receipts as described below ("**Receipts**"), including Receipts issuable on the exercise of the right to purchase additional Receipts, to purchasers ("**Purchasers**");

(b) pursuant to section 13.1 of National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**"), that the requirements of NI 51-102 (the "**Continuous Disclosure Requirements**") shall not apply to the Filer;

(c) pursuant to section 4.1 of National Instrument 52-108 – *Auditor Oversight* ("**NI 52-108**"), that the requirements of NI 52-108 (the "**Auditor Oversight Requirements**") shall not apply to the Filer;

(d) pursuant to section 8.6 of National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"), that the requirements of NI 52-109 (the "**Certification Requirements**") shall not apply to the Filer;

(e) pursuant to section 8.1 of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), that the requirements of NI 52-110 (the "**Audit Committee Requirements**") shall not apply to the Filer;

(f) pursuant to section 3.1 of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**"), that the requirements of Part 2 of NI 58-101 (the "**Corporate Governance Disclosure Requirements**") shall not apply to the Filer;

(g) pursuant to section 7.1 of National Instrument 13-101 – *System for Electronic Document Analysis and Retrieval (SEDAR)* ("**NI 13-101**"), that the requirements of NI 13-101 (the "**SEDAR Requirements**") shall not apply to the Filer; and

(h) pursuant to section 6.1 of National Instrument 55-102 – *System for Electronic Disclosure by Insiders (SEDI)* ("**NI 55-102**"), that sections 2.3 and 2.4 of NI 55-102 (the "**SEDI Requirements**") shall not apply to the Filer.

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 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 each of the Non-Principal Jurisdictions.

Interpretation

Terms defined in 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:

1. The Filer is a Canadian Crown corporation pursuant to the *Royal Canadian Mint Act* (Canada) (the "**Mint Act**").

2. The head office of the Filer is in Ottawa, Ontario.

3. The Filer produces circulation, numismatic (or collectable) and bullion coins for the domestic and international markets. In addition to being responsible for the minting and distribution of Canada's circulation coins, the Filer operates other businesses on a commercial basis, including secure-storage, full-service gold and silver refineries, and services such as assaying.

4. The Filer is not currently a reporting issuer in any of the provinces or territories of Canada.

5. Under the Mint Act, all of the equity and voting shares of the Filer are held by the Minister of Finance (the "**Minister**"), in trust for Her Majesty in right of Canada. The Mint Act does not permit the Filer to issue shares in its own capital to the public or to issue debt obligations that would result in the Filer having total outstanding borrowed money exceeding $75 million.

6. The Filer's external auditor, the Auditor General of Canada, audits the consolidated financial statements of the Filer and reports thereon to the Minister.

7. The securities for which the Requested Relief is sought are Receipts to be issued by the Filer and

distributed to Purchasers, each Receipt representing an undivided beneficial interest in gold bullion to be held in the custody of the Filer (the "**Program**").

8. Each Receipt will also entitle the holder thereof, on the date that is 12 months after the closing of the offering (the "**Purchase Date**"), to purchase one additional Receipt at a price based on the market price of the underlying gold bullion on the Purchase Date. If unexercised on the Purchase Date, the right to purchase an additional Receipt will expire immediately thereafter.

9. Pursuant to section 3(2) of the Mint Act, the objects of the Filer are "to mint coins in anticipation of profit and to carry out other related activities." In carrying out its objects, the Filer has the rights, powers and privileges and the capacity of a natural person.

10. The distribution of Receipts by the Filer is consistent with the powers and objects of the Filer. In compliance with its objects, the Filer will not engage in any activity, including any capital markets activity, unless it is related to its core business of minting coins.

11. The Filer will offer the Receipts to Purchasers in each of the provinces and territories of Canada through registered dealers and, possibly, in certain jurisdictions outside of Canada.

12. The Filer may, from time to time, issue additional Receipts under the Program.

13. Subject to obtaining the requisite listing approval, the Receipts will be listed and traded on the Toronto Stock Exchange (the "**TSX**").

14. The Receipts will be priced on the basis of the market price of gold bullion, therefore the value of a Receipt will be unrelated to changes in the business, operations or financial condition of the Filer or the Government of Canada.

15. The net proceeds of the offering of Receipts will be applied on behalf of the Purchasers to the purchase of gold bullion from third party suppliers for delivery to the Filer's storage facilities on the closing date of the offering.

16. The Filer will act as custodian of the gold bullion on behalf of the Purchasers and will hold the gold bullion on an unallocated basis in its facilities. Beneficial ownership of the gold bullion will at all times remain with the Purchasers.

17. The Receipts will be redeemable for gold bullion or cash at the election of the holder.

18. The Filer's obligations under the Receipts are to securely store the underlying gold bullion and, on redemption or termination, to make available for physical delivery the applicable amount of gold bullion upon the request of a holder of a Receipt or to deliver the cash redemption amount. The Filer will at all times maintain in its storage facilities gold bullion in an amount that is equal to or exceeds the amount owned in aggregate by holders of the Receipts.

19. The Filer is for all purposes an agent of Her Majesty in right of Canada. The Receipts will constitute direct unconditional obligations of the Filer and as such will constitute direct unconditional obligations of Her Majesty in right of Canada. Accordingly, the Filer's obligations under the Receipts will be backed by the full faith and credit of the Government of Canada. If the Filer fails to deliver gold bullion or cash in connection with a redemption, or gold bullion at the termination of the Program, the holders of the Receipts would be able to enforce their rights against the Government of Canada.

20. The distribution of the Receipts by the Filer will be made pursuant to an information statement (the "**Information Statement**") that contains disclosure (the "**Information Statement Disclosure**") of:

    (a) aspects of the Filer's business that relate to the Receipts, such as its gold bullion storage business;

    (b) the use of the proceeds from the sale of Receipts;

    (c) the terms of the Receipts (including the issue price);

    (d) the plan of distribution of the Receipts;

    (e) the fact that the Receipts will be listed and traded on the TSX, subject to obtaining the requisite listing approval;

    (f) the risks that relate to (i) the Program and the Receipts, (ii) the gold market, and (iii) the Filer;

    (g) material contracts of the Filer insofar as they establish the terms of the Receipts or impose fees upon holders of Receipts;

    (h) the nature of the gold market, including historical gold price performance;

    (i) the manner in which notices will be given to holders of Receipts;

    (j) information relating to the transfer agent and registrar;

    (k) tax consequences to holders; and

(l) all fees associated with the Receipts.

21. The Filer will maintain, by way of continuous disclosure (the "Program Website Disclosure"), a website for the Program on which it will post:

(a) the Information Statement;

(b) a daily calculation of the per Receipt entitlement to gold, calculated as approximately 1/100th of one fine troy ounce of gold on the date of issuance and reduced daily by a management, storage and custodial fee charged by the Filer;

(c) a daily calculation of the adjusted net asset value of the Receipts;

(d) the current trading price of the Receipts;

(e) the historical trading prices of the Receipts;

(f) the daily London pm fix gold price;

(g) the fees associated with the Receipts for the last three years (or period available) and any changes to such fees, for which there will be not less than 90 days' advance notice;

(h) material change reports, being reports of any change in the business, operations or capital of the Filer or, if known by the Filer, the Government of Canada, that would reasonably be expected to have a significant effect of the market price of value of the Receipts; and

(i) any document that it delivers to holders of Receipts.

22. Notice of any increase to the fees associated with the Receipts will also be delivered to the transfer agent and registrar for the Receipts on behalf of the holders of Receipts.

Decision

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

The Requested Relief

The decision of the Principal Regulator under the Principal Legislation is that the Requested Relief in respect of the Prospectus Requirements, the Continuous Disclosure Requirements, the Auditor Oversight Requirements, the Certification Requirements, the Audit Committee Requirements, the Corporate Governance Disclosure Requirements, the SEDAR Requirements and the SEDI Requirements is granted, provided that the following conditions are satisfied:

(a) the Filer continues to be a Crown corporation pursuant to the Mint Act;

(b) the Filer provides each Purchaser with a copy of an Information Statement, prior to or at the time of an agreement of purchase and sale being entered into in respect of the Receipts, that includes the Information Statement Disclosure; and

(c) the Filer maintains a website on which it posts the Program Website Disclosure.

“Kevin J. Kelly”
Commissioner
Ontario Securities Commission

“C. Wesley M. Scott”
Commissioner
Ontario Securities Commission

2.1.3 Fidelity Investments Canada ULC

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from multi-layering prohibition in paragraph 2.5(2)(b) of NI 81-102 to permit Fidelity managed mutual funds to invest in Fidelity managed underlying mutual funds which in turn obtain exposure to Fidelity managed reference funds through a forward agreement – Underlying fund and reference fund aim to provide exposure to a portfolio of fixed-income securities – Three-tier structure is transparent and intended to provide top mutual funds with exposure to fixed income on tax efficient basis – National Instrument 81-102 Mutual Funds.

Applicable Legislative Provisions

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

August 24, 2011

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
FIDELITY INVESTMENTS CANADA ULC
(the Filer)

AND

THE FUNDS (as defined below)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the Funds for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) exempting the Funds from the requirement of paragraph 2.5(2)(b) of National Instrument 81-102 *Mutual Funds* (**NI 81-102**) to permit each Fund to invest in securities of one or more **Underlying Funds** (defined below) (the **Exemption Sought**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions:

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

(b) the Filer has provided notice that Section 4.7 of Multilateral Instrument 11-102 – *Passport System* (**MI 11-102**) is intended to be relied upon in respect of the Exemption Sought in British Columbia, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland and Labrador, Northwest Territories, Yukon and Nunavut (the **Passport Jurisdictions**).

Interpretation

Defined terms in the securities legislation of the Jurisdiction or the Passport Jurisdictions, National Instrument 14-101 – *Definitions* or NI 81-102 have the same meanings in this Decision, unless otherwise defined.

For purposes of this Decision:

"Funds" means Fidelity Monthly Income Class, Fidelity Balanced Income Private Pool, Fidelity Balanced Income Currency Neutral Private Pool, Fidelity Income Class Portfolio, Fidelity Balanced Class Portfolio, Fidelity Global Balanced Class Portfolio and any other mutual fund (other than the Underlying Funds and Reference Funds) that is, or in the future becomes, managed by Fidelity and which is permitted by its investment strategies to seek exposure to fixed income securities through investments in other mutual funds.

"Underlying Funds" means Fidelity Canadian Bond Capital Yield Fund, Fidelity American High Yield Capital Yield Fund and any other mutual fund that is, or in the future becomes, managed by Fidelity and which seeks to provide exposure to a portfolio of fixed income securities by investing primarily in a basket of equity securities issued by Canadian corporations and by entering into one or more specified derivatives (collectively, the "**Forward Agreement**") with one or more counterparties in order to obtain exposure to a Reference Fund.

"Reference Fund" means Fidelity Canadian Bond Fund, Fidelity American High Yield Fund and any other mutual fund that is, or in the future becomes, managed by Fidelity and that invests in a portfolio of fixed income securities.

Representations

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

Filer

1. The Filer, a corporation continued under the laws of Alberta and having its head office in Toronto, Ontario, acts as manager of each of the Funds, Underlying Funds and Reference Funds.

2. The Filer, or an affiliate, acts as portfolio manager to each of the Funds, Underlying Funds and Reference Funds.

3. The Filer is not in default of the Legislation or the securities legislation of any jurisdiction.

Funds

4. Each Fund is or will be:

   (a) an open-end mutual fund established under the laws of Ontario or a class of shares of a corporation incorporated under the laws of the Province of Alberta;

   (b) a reporting issuer under the securities laws of some or all of the provinces and territories of Canada;

   (c) governed by the provisions of NI 81-102; and

   (d) qualified for distribution in some or all 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 jurisdictions.

5. Each Fund would like the ability to invest in securities of one or more Underlying Funds from time to time in order to obtain exposure to a portfolio of fixed income securities.

6. Each Fund will only invest in securities of an Underlying Fund if such investment is permitted by, and consistent with, the investment objectives of that Fund.

7. The Funds are not in default of the Legislation or the securities legislation of any jurisdiction.

Underlying Funds

8. Each Underlying Fund is or will be:

   (a) an open-end mutual fund established under the laws of Ontario;

   (b) a reporting issuer under the securities laws of some or all of the provinces and territories of Canada;

   (c) governed by the provisions of NI 81-102; and

   (d) qualified for distribution in some or all provinces and territories of Canada under a simplified prospectus and annual information form prepared in accordance with NI 81-101.

9. The investment objective of each Underlying Fund is to provide exposure to a portfolio of fixed income securities.

10. In seeking its investment objective, the Underlying Fund will obtain exposure to a Reference Fund by investing primarily in a basket of equity securities issued by Canadian corporations and by entering into one or more Forward Agreements with one or more counterparties.

11. The Filer expects that gains derived from the disposition of securities under the Forward Agreements will be treated as capital gains and will be distributed to securityholders, including the Funds, as capital gains for income tax purposes.

12. All aspects of the Forward Agreement will comply with the requirements of NI 81-102 relating to the use of specified derivatives by mutual funds.

13. The Underlying Funds are not in default of the Legislation or the securities legislation of any jurisdiction.

Reference Funds

14. Each Reference Fund is or will be:

   (a) an open-end mutual fund established under the laws of Ontario;

   (b) a reporting issuer under the securities laws of some or all of the provinces and territories of Canada;

   (c) governed by the provisions of NI 81-102; and

   (d) qualified for distribution in some or all provinces and territories of Canada under a simplified prospectus and annual information form prepared in accordance with NI 81-101.

15. Each Reference Fund invests in a portfolio of fixed income securities.

16. The Reference Funds are not in default of the Legislation or the securities legislation of any jurisdiction.

Three-Tier Fund Structure

17. Absent the Exemption Sought, each Fund will be prohibited from investing in securities of an Underlying Fund since, contrary to subsection 2.5(2)(b) of NI 81-102, more than 10% of the net assets of the Underlying Fund will be deemed by

subsection 2.5(1)(b) of NI 81-102 to be invested in securities of another mutual fund.

18. It would be burdensome and expensive from an operational and portfolio management perspective for each Fund to obtain exposure to a Reference Fund through specified derivatives because it would require each Fund to negotiate its own set of specified derivative documentation with a counterparty and, on an on-going basis, administer the mechanics of each of its Forward Agreements (ie., buying separate baskets of equity securities, administering monthly rollovers, etc.).

19. It would be more efficient if exposure to a Reference Fund through specified derivatives occurs at the Underlying Fund level since only one set of documentation with a counterparty will be required. In this way, a Fund could alter its exposure to a Reference Fund by simply acquiring or redeeming securities of the Underlying Fund in the ordinary course rather than having to amend specified derivative documentation.

20. Investments by a Fund in securities of an Underlying Fund, and the exposure of that Underlying Fund to the performance of a Reference Fund, will only be made in accordance with the requirements of section 2.5 of NI 81-102 (except as otherwise permitted by the Exemption Sought). There will be no duplication of fees between each tier of the three-tier fund structure.

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 the proposed investments by the Funds in securities of the Underlying Funds are made in compliance with each provision of section 2.5 of NI 81-102, except for paragraph 2.5(2)(b).

"Vera Nunes"
Manager, Investment Funds Branch
Ontario Securities Commission

2.1.4 RBC Global Asset Management Inc.

Headnote

National Policy 11-203 – Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from paragraph 4.2(1) of NI 81-102 to permit inter-fund trades between public mutual funds and pooled funds – inter-fund trades will comply with conditions in subsection 6.1(2) of NI 81-107 including IRC approval – relief contemplates both debt securities and mortgages – interfund trades in mortgages must comply with certain provisions of NP 29 and NI 81-102 – mortgages traded must be valued by an independent provider of mortgage valuation services – relief also subject to pricing and transparency conditions.

Applicable Legislative Provisions

National Instrument 31-103 Registration Requirements and Exemptions, ss. 4.2, 15.1.
National Instrument 81-107 Independent Review Committee for Investment Funds, ss. 6.1(2), 6.1(4).

September 7, 2011

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 GLOBAL ASSET MANAGEMENT INC.
(the Filer)

AND

THE FUNDS
(as defined below)

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 relief from section 4.2 of National Instrument 81-102 *Mutual Funds* (the **NI 81-102 Self-Dealing Restrictions**) to permit the purchase or sale of debt securities and mortgages (each purchase or sale of securities, an **Inter-Fund Trade**) between Public Funds (as defined below) and Pooled Funds (as defined below) (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 for this application; and

(b) 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 on in British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Nunavut and Yukon (the **Non-Principal Jurisdictions**).

Interpretation

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

Representations

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

1. The Filer is registered under securities legislation in each of the Jurisdiction and the Non-Principal Jurisdictions in the categories of portfolio manager and exempt market dealer and under the *Securities Act* (Ontario) as an investment fund manager. The Filer is duly organized under the *Canada Business Corporations Act* and has its head office in Ontario.

2. The Filer or an affiliate of the Filer, is the manager and promoter of mutual funds that are either offered for sale pursuant to a simplified prospectus and annual information form filed in certain provinces and territories of Canada (**Public Funds**) or offered for sale on a private placement basis pursuant to prospectus exemptions under applicable securities legislation (**Pooled Funds** and together with the Public Funds, **Funds**), and the Filer or an affiliate of the Filer will be the manager and promoter of future Funds.

3. The Filer or an affiliate of the Filer is the portfolio manager of the existing Funds, and the Filer expects that the Filer or an affiliate of the Filer will be the portfolio manager of future Funds.

4. RBC Dexia Investor Services Trust is the trustee of certain of the existing Funds. The Filer is the trustee for all other existing Funds, and the Filer expects that either the Filer or RBC Dexia Investor Services Trust will be the trustee for all future Funds.

5. None of the Pooled Funds will be a reporting issuer. Securities of each of the Pooled Funds are or will be qualified for distribution pursuant to exemptions from the prospectus requirement. Each Pooled Fund may be an "associate" of the Filer or RBC Dexia Investor Services Trust as appropriate, in their capacity as trustee of a Fund.

6. The Filer or an affiliate of the Filer, as manager of a Public Fund, has established or will establish an independent review committee (**IRC**) for each of the Public Funds in accordance with the requirements of NI 81-107 *Independent Review Committees for Investment Funds* (**NI 81-107**). The mandate of each IRC includes or will include the review and approval of the transactions covered by the Exemption Sought.

7. An Inter-Fund Trade involving a Public Fund will be referred to the IRC of the Public Fund as contemplated by section 5.2(1) of NI 81-107. The IRC of the Public Fund will not approve such purchase or sale transaction unless it has made the determination set out in section 5.2(2) of NI 81-107.

8. The Filer or an affiliate of the Filer, as manager of a Pooled Fund, does not intend to establish a new IRC for the Pooled Funds. Instead, the mandate of the IRC of the Public Funds will be expanded to include the review and approval of Inter-Fund Trades on behalf of each Pooled Fund. In its review of Inter-Fund Trades on behalf of a Pooled Fund, the IRC will comply with the standard of care set out in section 3.9 of NI 81-107. The IRC will not approve an Inter-Fund Trade on behalf of a Pooled Fund unless the IRC has made the determination set out in section 5.2(2) of NI 81-107.

9. Inter-Fund Trades involving a Fund will be referred to the IRC under subsection 5.2(1) of NI 81-107 and the manager of such Fund will comply with section 5.4 of NI 81-107 in respect of any standing instructions the IRC provides in connection with the Inter-Fund Trade.

10. From time to time, the Filer may wish to transfer individual securities, including debt securities and mortgages (**Mortgages**), held on behalf of a Fund, to another Fund.

11. The Filer is of the view that where the portfolio securities of the selling Fund are compatible with the investment objectives and strategies of the purchasing Fund, it may be in the best interests of the applicable Funds engage in an Inter-Fund Trade involving the sale portfolio securities from the selling Fund to the purchasing Fund. The Filer will only engage in Inter-Fund Trades between Funds if, in its view, engaging in an Inter-Fund Trade as opposed to similar open-market trades is in the best interests of each of the parties to the trade.

12. Inter-Fund Trades of debt securities will be executed through a registered dealer or otherwise be subject to market integrity requirements as defined in s. 6.1(1) of NI 81-107.

13. Section 4.3(1) of NI 81-102 states that the NI 81-102 Self-Dealing Restrictions do not apply with respect to a purchase or sale of securities if, among other things, the price payable for the security is not more than the ask price as reported by any available public quotation in common use, in the case of a purchase, or not less than the bid price as reported by any available quotation in common use, in the case of a sale.

14. The Filer is not able to rely on section 4.3(1) of NI 81-102 with respect to transactions in Mortgages because bid and ask prices for mortgages are not reported through any available public quotation in common use.

15. National Policy Statement No. 29 (**NP 29**) sets out guidelines relating to investments in mortgages by a mutual fund that is subject to NP 29, including with respect to the determination of the net asset value of mortgages, and provides certain protections to investors in such funds.

16. Each mortgage held by Funds managed or advised by Phillips, Hager & North Investment Management, an operating division of the Filer, (the **PH&N Funds**) is valued and serviced by CMLS Financial Ltd. (**CMLS**). CMLS is an affiliate of Penmor Mortgage Capital Corporation (**Penmor**). Penmor is the originator for each of the mortgages held by the PH&N Funds. CMLS and Penmor are not related to the Filer; however, two officers of the Filer serve on Board of Directors of Penmor and CMLS on a voluntary basis. Other than the PH&N Funds, the Funds currently do not hold any mortgages valued by CMLS.

17. CMLS is a mortgage valuator which uses a risk-based system to independently value mortgages for its clients. CMLS's valuations of the mortgages held by the PH&N Funds have been used by Phillips, Hager & North Investment Management without alteration or adjustment. Accordingly, pursuant to the Exemption Sought, each Mortgage traded between the Funds or between a Fund and a managed account will be valued by CMLS or another independent provider of mortgage valuation services at the price determined in accordance with the provisions of Section III(2)(2.3) of NP 29 and such valuation will be used to interfund trade any such Mortgage without alteration by the Filer.

18. Section 4.3(2) of NI 81-102 states that the NI 81-102 Self-Dealing Restrictions do not apply with respect to a purchase or sale of a class of debt securities by a mutual fund from or to, another mutual fund managed by the same manager or an affiliate of the manager, if, at the time of the transaction, among other things, the mutual fund is purchasing from, or selling to, another mutual fund to which NI 81-107 applies and the transaction complies with section 6.1(2) of NI 81-107. The Filer is unable to rely on the exemption from section 4.2(1) of NI 81-102 for inter-fund trades in debt securities codified in subsection 4.3(2) of NI 81-102 because the Pooled Funds are not subject to NI 81-107.

19. At the time of an Inter-Fund Trade, the Filer (or its affiliate), as manager of a Public Fund, will have in place policies and procedures applicable to Inter-Fund Trades between Public Funds and Pooled Funds.

20. When a Filer, or an affiliate of a Filer, engages in an Inter-Fund Trade which involves the purchase and sale of securities between a Public Fund and a Pooled Fund it will generally follow the following procedures or other procedures approved by the applicable IRC:

    a. the portfolio manager of the Filer or affiliate of the Filer will request the approval of the chief compliance officer of the Filer or affiliate of the Filer or his or her designated alternate, or of another designated individual, to execute a purchase or a sale of a security by a Fund or Managed Account as an Inter-Fund Trade;

    b. upon receipt of the required approval, the portfolio manager of the Filer or affiliate of the Filer will either place the trade directly or deliver the trade instructions to a trader on a trading desk of the Filer or affiliate of the Filer;

    c. upon receipt of the trade instructions and the required approval, the trader on the trading desk will have the discretion to execute the trade as an Inter-Fund Trade in accordance with the requirements of paragraphs (c) to (g) of subsection 6.1(2) of NI 81-107 provided that, for exchange-traded securities, the Inter-Fund Trade may be executed at the Last Sale Price of the security, determined at the time of the receipt of the required approval prior to the execution of the trade; and

    d. the policies applicable to the trading desk of the Filer or affiliate of the Filer will require that all orders are to be executed on a timely basis.

21. Each Inter-Fund Trade will be consistent with the investment objective of the Public Fund.

22. The Filer has determined that it would be in the interests of the Public Funds to receive the Exemption Sought for the following reasons:

    - it will result in cost and timing efficiencies in respect of the execution of transactions for the Public Funds; and
    - it will result in less complicated and more reliable compliance procedures, as well as simplified and more efficient monitoring thereof, for the Filer, or an affiliate of the Filer, in connection with the execution of transactions on behalf of Public Funds.

23. A predecessor entity of the Filer, Phillips, Hager & North Investment Management Ltd., was granted an exemption from the NI 81-102 Self-Dealing Restrictions pursuant to a decision dated November 29, 2007 (the **Existing Relief**), which permits the purchase or sale of debt securities and mortgages between Public Funds and Pooled Funds or Managed Accounts.

24. A predecessor entity of the Filer, RBC Asset Management Inc., was granted an exemption from the application of section 6.1(4) of NI 81-107 to the extent that it requires a purchase or sale of an exchange traded security between one Public Fund and another Public Fund to comply with section 6.1(2)(e) of NI 81-107 to permit Inter-Fund Trades between one Public Fund and another Public Fund at the Last Sale Price pursuant to a decision dated January 18, 2008 (the **Last Sale Price Relief**).

25. The Filer was formed through the amalgamation of Phillips, Hager & North Investment Management Ltd., with its affiliate, RBC Asset Management Inc., effective November 1, 2010 (the **Amalgamation**). Following the Amalgamation, the head office of the Filer is located in Ontario. The Exemption Sought is requested to provide the Filer, as the existing amalgamated entity, with the Exemption Sought going forward in its own capacity.

26. Should the Exemption Sought be granted, neither the Filer, nor any affiliate of the Filer, will rely on the Existing Relief or the Last Sale Price Relief.

27. None of the Filer, or any affiliate of the Filer or the Funds, is in default of any requirements of securities legislation in the Jurisdiction or any Non-Principal Jurisdiction.

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 Inter-Fund Trade is consistent with the investment objective of the Fund or Managed Account;

(b) the Filer, or an affiliate of the Filer, as manager of a Fund, refers the Inter-Fund Trade involving a Fund to the IRC in the manner contemplated by section 5.1 of NI 81-107 and the manager and the IRC comply with section 5.4 of NI 81-107 in respect of any standing instructions the IRC provides in connection with the Inter-Fund Trade;

(c) the IRC of each Fund has approved the Inter-Fund Trade in respect of the Fund in accordance with subsection 5.2(2) of NI 81-107;

(d) the Inter-Fund Trade of debt securities complies with paragraphs (c) to (g) of subsection 6.1(2) of NI 81-107;

(e) with respect to each Inter-Fund trade of Mortgages:

(i) each Mortgage traded in reliance on the Exemption Sought will comply with Section III (2)(2.1) (b), (c), (e), (f) and (i) of NP 29;

(ii) each Mortgage traded between a Pooled Fund and a NI 81-102 Fund in reliance on the Exemption Sought will be a guaranteed mortgage as defined in NI 81-102;

(iii) each Mortgage traded between a Pooled Fund and a NI 81-102 Fund subject to NP 29 under s. 20.4 of NI 81-102, will comply with Section III(2)(2.1)(g) of NP 29;

(iv) each Mortgage traded between the Funds will be valued by CMLS or another independent provider of mortgage valuation services, at the price determined in accordance with the provisions of Section III (2)(2.3) *Arm's Length Transactions Investor's Yield* of NP 29;

(v) the applicable Fund(s) keeps the written records required by section 6.1(2)(g) of NI 81-107; and

(vi) the applicable Fund(s) receives no consideration and the only cost for the trade is the nominal cost incurred by the Fund(s) to print or otherwise display the trade.

"Darren McKall"
Manager, Investment Funds
Ontario Securities Commission

2.1.5 Bellair Ventures Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – An issuer (a capital pool company) proposes to enter into a reverse take-over transaction with a target company – The proposed transaction, if completed, will serve as the issuer's qualifying transaction under Policy 2.4 Capital Pool Companies of the TSX Venture Exchange (TSXV) – The issuer applied for relief from the requirements in section 4.10(2)(a)(ii) of National Instrument 51-102 Continuous Disclosure Obligations (NI 51-102) and Item 5.2 of Form 51-102F3 Material Change Report to file, in respect of the proposed transaction, historical audited annual financial statements of the target company for the years ended December 31, 2008 and December 31, 2009 – Target company is unable to provide the specified historical financial statements – Target company has made every reasonable effort to obtain copies of, or reconstruct, the historical accounting records necessary to prepare and audit the specified historical financial statements, but such efforts were unsuccessful – Issuer to provide alternative financial disclosure of target company in filing statement for qualifying transaction required under TSXV policies, including audited financial statements of target company for the year ended June 30, 2011 – Relief granted, subject to condition that filing statement contains the alternative financial disclosure and that the filing statement is filed on SEDAR following acceptance by TSXV.

Applicable Legislative Provisions

National Instrument 51-102 Continuous Disclosure Obligations, s. 4.10(2)(a)(ii).
Form 51-102F3 Material Change Report, Item 5.2.

September 14, 2011

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
BELLAIR VENTURES INC.
(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 exemptive relief (**Exemption Sought**) from the requirements in section 4.10(2)(a)(ii) of National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**) and item 5.2 of Form 51-102F3 *Material Change Report* (**51-102F3**) to file, in respect of the Acquisition (as defined below), historical audited annual financial statements for Waste Excellence Corporation (**WEC**) for the years ended December 31, 2008 and December 31, 2009.

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

Interpretation

Terms defined in 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:

Filer

1. The Filer is a capital pool company, as such term is defined in the policies of the TSX Venture Exchange Inc. (the **Exchange** or **TSXV**), and is incorporated under the *Canada Business Corporations Act*. The Filer's head office is 10 Bellair Street, Suite 509, Toronto, Ontario. The Filer's financial year end is August 31.

2. The Filer is a reporting issuer in the Jurisdictions and is not in default of securities legislation in any jurisdiction.

3. The common shares of the Filer are listed and posted for trading on the NEX branch of the Exchange under the trading symbol "BVI.H".

KNR

4. KNR Management Inc. (**KNR**, and together with its wholly-owned subsidiaries, the **KNR Group**) is a corporation incorporated under the *Business Corporations Act* (Ontario). KNR's financial year end is June 30.

5. KNR is not a reporting issuer in any jurisdiction of Canada. KNR is not in default of securities legislation in any jurisdiction.

6. KNR's principal business is the operation of a waste transfer and recycling facility in Vaughan, Ontario.

WEC

7. WEC is a corporation incorporated under the *Business Corporations Act* (Ontario). WEC's financial year end is December 31.

8. WEC is not a reporting issuer in any jurisdiction of Canada. WEC is not in default of securities legislation in any jurisdiction.

Proposed Transaction

9. The Filer entered into a transaction agreement dated February 1, 2011 with R. DiBattista Investments Inc. (the **Vendor**) and KNR and will enter into agreements with certain employees and consultants of KNR pursuant to which the Filer will purchase, and the Vendor and such employees and consultants will sell, all of the issued and outstanding common shares of KNR (the **Acquisition**). A portion of the consideration payable by the Filer in respect of the Acquisition includes the retirement of certain loans outstanding by the Vendor and the assumption, in KNR, of certain debt obligations.

10. The Acquisition will be a "reverse takeover" as defined in NI 51-102 and will serve as the Filer's "qualifying transaction" under TSXV Policy 2.4 *Capital Pool Companies*. In connection with the qualifying transaction, the Filer will be filing its filing statement (the **Filing Statement**) in the form of Form 3B2 *Information Required in a Filing Statement for a Qualifying Transaction* (**TSXV Form 3B2**) pursuant to the policies of the Exchange. TSXV Form 3B2 requires disclosure of financial statements of the Filer and KNR prescribed by National Instrument 41-101 *General Prospectus Requirements* and Form 41-101F1 *Information Required in a Prospectus* (**Form 41-101F1**). In addition to applying to the principal regulator for the Exemption Sought, the Filer has also applied to the Exchange for a waiver from the equivalent financial statement requirements in TSXV Form 3B2.

11. Immediately prior to and in connection with the Acquisition, KNR (directly and indirectly through the KNR Group) will acquire certain assets of WEC (the **WEC Assets**), such assets being a Certificate of Approval issued by the Ministry of the Environment (Ontario) bearing No. A 230634 and certain working capital and other chattels from WEC's court-appointed receiver, SF Partners Inc. (the **Receiver**). Pursuant to the purchase agreement to be entered into by KNR, the Receiver and certain other parties, the WEC Assets to be purchased by KNR from the Receiver will be purchased free and clear of all liens and encumbrances. In particular, the Receiver will apply to the Ontario Superior Court of Justice for a vesting order to convey the WEC Assets to KNR free and clear of all liens and encumbrances.

Financial Statements of WEC

12. By order of the Ontario Superior Court of Justice dated November 10, 2008, the Receiver was appointed to take control of the business and assets of WEC (the **Business**). A member of the KNR Group was subsequently appointed agent of the Receiver to assume control of and reinstate the operation of the Business. For the purposes of TSXV Form 3B2 and item 32.1 of Form 41-101F1 *Information Required in a Prospectus*, WEC is considered a predecessor to KNR with respect to the Business.

13. Prior to the appointment of the Receiver, there was an acrimonious dispute between the shareholders and management of WEC which included, among other things, allegations of misappropriation of funds and lack of adequate accounting in respect of the company's operations. The basis of the dispute among management and the shareholders led to the commencement of litigation between the parties and was one of the factors which precipitated the application for, and the appointment of, the Receiver.

14. At the time of the appointment of the Receiver, the operations of WEC had been dormant for a considerable period of time and there were no employees or officers of WEC attending at its premises at 10525 Keele Street, Vaughan, Ontario on a permanent basis.

15. In an attempt to secure the financial information and books and records of WEC upon its appointment as receiver, the Receiver made enquiries of representatives of WEC's secured creditors who had brought the application for the appointment of the Receiver, and of parties to the dispute between the shareholders and management of WEC. As a result, the Receiver was able to secure certain physical financial and accounting records of WEC, including hard copies of certain accounts receivable lists, accounts payable lists, various government filings, supplier invoices and some limited customer information.

16. In November and December 2008, the Receiver requested information from prior management of WEC in respect of the existence and location of WEC's computer systems which might hold its general ledgers, financial and accounting records, or any additional financial information. The Receiver did not receive any additional financial information or computer systems housing general ledgers or financial or accounting records from WEC's prior management.

17. In September 2010, the Receiver made further inquiries of WEC's external accountant who advised the Receiver that their involvement with WEC prior to its receivership was limited to preparing statutory filings and that the external accountant did not have any relevant financial or accounting records in respect of WEC.

18. The Receiver was not able to locate any computer systems with which WEC maintained its accounting records or general ledgers on the company's premises.

19. Following its search of WEC's premises at 10525 Keele Street, Vaughan, Ontario, repeated requests for information from prior management and shareholders of WEC, external accountants of WEC and representatives of WEC's secured creditors, and its review of the limited accounting records it took possession of upon its appointment as Receiver, the Receiver concluded that:

    (a) WEC's financial and accounting books and records were incomplete, inaccurate, unreliable and grossly deficient insofar as the Receiver was aware that not all transactions were recorded, various source documents were not available, and the records that the Receiver recovered did not appear to have correctly recorded all transactions;

    (b) payments made to WEC in respect of accounts receivable were not reflected in the physical documents found on the premises;

    (c) WEC's accounts payable list was inaccurate or incomplete;

    (d) WEC engaged in numerous cash transactions which would make it difficult, in not impossible, to determine the completeness of revenues;

    (e) no additional financial or accounting records in respect of WEC existed or could be located;

    (f) WEC maintained no computer system to maintain its general ledgers or financial or accounting records or that such computer systems had been removed from the premises prior to its appointment as Receiver; and

    (g) WEC maintained no internal controls in respect of its accounting systems to ensure the production of accurate financial information.

20. The Receiver made one filing on November 10, 2010 in the public record on the Ontario Superior Court of Justice in relation to its role as receiver for WEC. The Receiver did not provide any financial information or reports to the court.

21. The Business was recommenced under the control of a member of the KNR Group as agent for the Receiver in May 2009 and the audited consolidated financial statements of KNR reflect the financial results of the Business since such date.

22. KNR and the Receiver have made every reasonable effort to obtain copies of, or reconstruct, the historical accounting records necessary to prepare and audit the financial statements of WEC for the fiscal periods prior to May 2009, but such efforts have been unsuccessful. As such, to the extent they may exist, neither KNR nor the Receiver is able to access the underlying financial and accounting records and source documents to be able to prepare financial statements for WEC in accordance with GAAP.

23. The inability to prepare the prescribed financial statements for WEC for the period prior to May 2009 is outside the Filer's control.

24. A combination of the following factors render the preparation and delivery of the financial statements of WEC for the period prior to May 15, 2009 impossible:

    (a) KNR has been advised by the Receiver that historical financial statements for WEC are not available;

    (b) the Receiver made every reasonable effort to obtain access to, or copies of, the historical financial and accounting records of WEC necessary to prepare applicable historical financial statements but such efforts were unsuccessful as the Receiver was unable to locate complete and accurate accounting records at WEC's premises; and

    (c) the accounting records available consisted of financial and accounting records that were not properly maintained prior to the appointment of the Receiver, with evidence that not all revenues and expenses were properly recorded.

25. WEC's historical financial accounts are incomplete and inaccurate and, if full records existed, they would not be reliable to prepare meaningful or relevant financial statements which could provide current or future shareholders of the Filer with an accurate representation of the Business prior to May 15, 2009.

26. The Filing Statement will disclose the reasons why the historical audited financial statements of WEC for the years ended December 31, 2008 and December 31, 2009 are not available.

Historical Financial Statements

27. With respect to reverse takeover transactions, section 4.10(2)(a)(ii) of NI 51-102 and item 5.2 of 51-102F3 require that a reporting issuer file, within specified periods, the financial statements as prescribed by the appropriate prospectus form for the reverse takeover acquirer. The reverse takeover acquirer in respect of the Filer is KNR.

28. The Filer was incorporated on August 22, 2008. The Filer will include in the Filing Statement the following financial statements (the **Filer Financial Statements**):

    (a) audited annual financial statements of the Filer for (i) the period from incorporation on August 22, 2008 to September 30, 2008, (ii) the 12 months ended August 31, 2009 and (iii) the 12 months ended August 31, 2010;

    (b) interim financial statements of the Filer for the 9 months ended May 31, 2011 (with comparatives);

    (c) *pro forma* financial statements of the Filer required by item 48 of TSXV Form 3B2, including a *pro forma* balance sheet as at the date of the Filer's most recent balance sheet (May 31, 2011) included in the Filing Statement as if the Acquisition had taken place at that date; and

    (d) if the Filing Statement is not filed by December 29, 2011 (the date that is 120 days after the Filer's financial year end), any additional or updated financial statements of the Filer required by items 44.1, 44.2 and 48.1 of TSXV Form 3B2 and items 32.2 and 32.3 of Form 41-101F1 in respect of any recently completed financial year or interim period, as applicable.

29. The entities in the KNR Group were incorporated on various dates throughout 2009 and 2010. KNR will include in the Filing Statement the following financial statements (the **KNR Financial Statements**):

    (a) audited annual consolidated financial statements of KNR for (i) the period from incorporation of the first entity in the KNR Group on May 15, 2009 to June 30, 2009, (ii) the 12 months ended June 30, 2010, and (iii) the 12 months ended June 30, 2011; and

    (b) if the Filing Statement is not filed by November 29, 2011 (the date that is 60 days after the end of the first interim period in KNR's current financial year), any additional financial statements of KNR required by items 46.1 and 46.2 of TSXV Form 3B2 and items 32.2 and 32.3 of Form 41-101F1 in respect of any recently completed interim period or financial year, as applicable.

    The KNR Financial Statements will include the financial results of the operation of the Business.

30. The Filer will be relying on the exception contained in item 48.2 of TSXV Form 3B2 and will not be including a *pro forma* income statement of the Filer in the Filing Statement.

31. The Filer Financial Statements and the KNR Financial Statements (collectively, the **Proposed Financial Disclosure**) will contain sufficient information to permit investors to make a reasoned assessment of the Filer's business following completion of the Acquisition.

32. Following the closing of the Acquisition, the Filer will:

    (a) issue and file a news release and file a material change report that disclose the closing of the Acquisition and refer to the Filing Statement filed on SEDAR at www.sedar.com, and

    (b) file the financial statements for KNR required by section 4.10(2)(a)(i) of NI 51-102 for all annual and interim periods ending before the date of the Acquisition and after the date of the financial statements included in the Filing Statement. These financial statements will include the financial results of the operation of the Business.

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:

1. the Filing Statement includes the Proposed Financial Disclosure; and

2. the Filing Statement is filed on SEDAR following acceptance by the Exchange.

"Michael Brown"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.1.6 SQI Diagnostics Inc.

Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Exemption from requirements in subsection 4.11(4), 4.12(1) and 4.12(2)(a) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards (NI 52-107) to reconcile acquisition statements to the issuer's GAAP and permit the use of ISAs without a reconciliation to Canadian GAAS – The issuer wants relief from the requirement to include a reconciliation to Canadian GAAP in annual financial statements of the acquired business and to have those statements audited in accordance with Canadian or US GAAS – The issuer will prepare pro forma financial statements in accordance with the guidance set out in section 8.7(9) of Companion Policy 51-102CP as it applies to financial years beginning on or after January 1, 2011 for all periods presented.

Applicable Legislative Provisions

National Instrument 52-107 Acceptable Accounting Principles and Auditing Standard, s. 5.1.

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

AND

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

AND

IN THE MATTER OF
SQI DIAGNOSTICS INC. (the Filer)

DECISION

Background

The principal regulator in the Jurisdiction (the **Decision Maker**) has received an application from the Filer for a decision under the securities legislation of the Jurisdiction (the **Legislation**)

(i) that the Canadian GAAP reconciliation requirements under section 4.11(4) of National Instrument 52-107, *Acceptable Accounting Principles and Auditing Standards* (**NI 52-107**) do not apply to the final short form base PREP prospectus (**Prospectus**) and business acquisition report (**BAR**) financial statements (**Acquisition Statements**) of a company to be acquired required to be filed by the Filer;

(ii) that the Acquisition Statements may be audited in accordance with International Standards on Auditing (**ISA**) notwithstanding section 4.12(1) of NI 52-107; and

(iii) that the requirement under section 4.12 (2)(a) of NI 52-107 that the auditor's report for the Acquisition Statements, if prepared in accordance with ISA, be accompanied by a statement of the auditor describing any material differences in the form and content of the auditor's report as compared to an auditor's report prepared in accordance with Canadian GAAS and indicating that an auditor's report prepared in accordance with Canadian GAAS would express an unmodified opinion does not apply to the Acquisition Statements (the **Exemptions Sought**).

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 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 British Columbia and Alberta.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* have the same meaning as is used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts and representations made by the Filer:

1 The predecessor to the Filer was incorporated on September 11, 2003 under the *Canada Business Corporations Act* and filed articles of amendment to change its name to "SQI Diagnostics Inc." on April 20, 2007.

2 The Filer's principal and registered office is located at 36 Meteor Drive, Toronto, ON M9W 1A4.

3 The Filer is a life sciences company that develops and commercializes proprietary technologies and products for advanced microarray diagnostics.

4 The Filer is a reporting issuer in British Columbia, Alberta and Ontario, and is not in default of its reporting issuer obligations in any of those jurisdictions.

5 The Filer's common shares are listed on the TSX Venture Exchange under the symbol "SQD".

6 The Filer's annual financial statements for the years up to and including the financial year ended September 30, 2010 have been prepared in accordance with Canadian GAAP determined with reference to Part V of the Handbook applicable to public enterprises and audited in accordance with Canadian GAAS.

7 The Filer's annual financial statements for the years commencing on or after January 1, 2011 will be prepared in accordance with IFRS and will be audited in accordance with Canadian GAAS.

8 As disclosed in a press release dated July 4, 2011, and a material change report (as amended) dated July 14, 2011, on July 4, 2011 the Filer entered into an agreement to acquire (the **Acquisition**) all of the share capital of Scienion AG (**Scienion**), a German-based microarray manufacturing equipment and microarray print and development services company.

9 The completion of the Acquisition is subject to the satisfaction of certain closing conditions including the closing of a public offering, pursuant to the Prospectus, for gross proceeds of at least $30,000,000.

10 Scienion is a company incorporated under the laws of Germany.

11 Scienion's auditor is an Ernst and Young member firm in Germany (the **Auditor**).

12 Scienion has or will have prepared their annual financial statements in accordance with IFRS and has or will have such financial statements audited in accordance with ISA.

13 Since the Acquisition, if completed, will constitute a "significant acquisition" for the Filer within the meaning of section 8.3 of NI 51-102 *Continuous Disclosure Obligations* (**NI 51-102**), the Filer is required to include in the Prospectus, pursuant to section 10.2 of Form 44-101F1, and in the BAR, pursuant to section 8.4 of National Instrument 51-102, among other things:

(a) the audited annual financial statements of Scienion for the financial year ended December 31, 2010, with comparative information for the financial year ended December 31, 2009, including an opening balance sheet as at January 1, 2009;

(b) the interim financial statements of Scienion for the interim period ended June 30, 2011 (which, for greater certainty, will not include the comparative financial information for the interim period ended June 30, 2010); and

(c) pro forma financial statements consisting of the following:

(i) a balance sheet as at June 30, 2011;

(ii) pro forma income statements for (i) the year ended September 30, 2010 (the year ended December 31, 2010 for Scienion) and (ii) the nine month period ended June 30, 2011 (the six month period ended June 30, 2011 for Scienion);

(iii) pro forma earnings per share based on the pro forma income statements; and

(iv) notes setting out the underlying assumptions on which the pro forma financials are prepared, cross-referenced to each related pro forma adjustment,

which reflect the completion of the Acquisition as if it had occurred as of October 1, 2009 for the purpose of the pro forma income statements, and as of June 30, 2011 for the purposes of the pro forma balance sheet (the **Required Pro Forma Statements**).

14 The Required Pro Forma Statements will be prepared in accordance with the guidance in section 8.7(9) of Companion Policy 51-102CP as it applies to financial years beginning on or after January 1, 2011. As part of the preparation of the Required Pro Forma Statements, the Filer will identify accounting policy differences between Canadian GAAP and IFRS that would potentially have a material impact and which could be reasonably estimated and will describe such differences in the notes to the Required Pro Forma Statements in the course of describing the adjustments presented relating to the financial results of Scienion.

15 The Filer will include in the Prospectus and the BAR clear disclosure as to the basis of presentation of the Acquisition Statements and the fact that the Acquisition Statements have been audited in accordance with ISA.

16 The CSA have amended NI 52-107 to permit acquisition statements to be audited in accordance with ISA, regardless of whether or not the issuer is a "foreign issuer" for financial statements relating to financial years beginning on or after January 1, 2011, with no requirement to include with such acquisition statements a statement by the auditor that:

(a) describes any material differences in the form and content of the auditor's report prepared in accordance with ISA as compared to an auditor's report prepared in accordance with Canadian GAAS, and

(b) indicates that the auditor's report prepared in accordance with Canadian GAAS would express an unmodified opinion.

17 Paragraph 20 of Part 1 of the Assurance Handbook of the Canadian Institute of Chartered Accountants provides that the ISA have been adopted as Canadian Auditing Standards for audits of financial statements for periods ending on or after December 14, 2010.

Decision

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

The decision of the Decision Maker under the Legislation is that the Exemption Sought is granted provided that:

(a) the Filer includes in the Prospectus and the BAR Acquisition Statements for Scienion for the years ended December 31, 2010 and 2009 that are prepared in accordance with IFRS and are audited in accordance with ISA;

(b) the Required Pro Forma Statements are prepared in accordance with the guidance in section 8.7(9) of Companion Policy 51-102CP as it applies to financial years beginning on or after January 1, 2011. As part of the preparation of the Required Pro Forma Statements, the Filer will identify accounting policy differences between Canadian GAAP and IFRS that would potentially have a material impact and which could be reasonably estimated and will describe such differences in the notes to the Required Pro Forma Statements in the course of describing the adjustments presented relating to the financial results of Scienion; and

(c) the Prospectus otherwise complies with the requirements of Form 44-101F1 and the BAR otherwise complies with the requirements of Form 51-102F4.

DATED at Toronto, this 16 day of September 2011

"Cameron McInnis"
Chief Accountant
Ontario Securities Commission

2.1.7 Bridgewater Systems Corporation – 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).

September 19, 2011

Bridgewater Systems Corporation
303 Terry Fox Drive, Suite 500
Ottawa, Ontario K2K 3J1

Dear Sirs/Mesdames:

Re: Application for a decision that Bridgewater Systems Corporation (the "Applicant") is not a reporting issuer under the securities legislation of Ontario, Québec, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Nunavut, Northwest Territories and Yukon (the "Jurisdictions")

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 Maker that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer 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 Operations;

(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

2.1.8 RBC Global Asset Management Inc.

Headnote

National Policy 11-203 – Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from paragraph 13.5(2)(b) of NI 31-103 to permit inter-fund trades between public mutual funds, pooled funds and managed accounts – inter-fund trades will comply with conditions in subsection 6.1(2) of NI 81-107 including IRC approval or client consent – trades involving exchange-traded securities are permitted to occur at last sale price as defined in the Universal Market Integrity Rules – interfund trades in mortgages must comply with certain provisions of NP 29 and NI 81-102 – mortgages traded must be valued by an independent provider of mortgage valuation services – relief also subject to pricing and transparency conditions – exemption also granted from conflict of interest trading prohibition in paragraph 13.5(2)(b) of NI 31-103 to permit in-specie subscriptions and redemptions by separately managed accounts, public mutual funds and pooled funds.

Applicable Legislative Provisions

National Instrument 31-103 Registration Requirements and Exemptions, ss. 13.5(2)(b), 15.1.
National Instrument 81-107 Independent Review Committee for Investment Funds, ss. 6.1(2), 6.1(4).

September 7, 2011

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 GLOBAL ASSET MANAGEMENT INC.
(the Filer)

AND

THE FUNDS
(as defined below)

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 relief from the prohibition in section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements and Exemptions* (the **31-103 Self-Dealing Restrictions**) against an a registered adviser knowingly causing an investment portfolio managed by it, including an investment fund for which it acts as adviser, to purchase or sell securities of any issuer from or to the investment portfolio of an associate of a responsible person or an investment fund for which a responsible person acts as an adviser,

(a) to permit the following purchases and sales (each purchase or sale, an **Inter-Fund Trade**):

(i) an existing mutual fund or future mutual fund to which National Instrument 81-102 *Mutual Funds* (**NI 81-102**) applies of which the Filer, or an affiliate of the Filer, is the registered adviser (each, an **NI 81-102 Fund** and collectively, the **NI 81-102 Funds**), to enter into Inter-Fund Trades of securities with another NI 81-102 Fund, an existing mutual fund or future mutual fund to which NI 81-102 does not apply of which the Filer, or an affiliate of the Filer, is the registered adviser (each, a **Pooled Fund** and, collectively, the **Pooled Funds**) or a fully managed account managed by the Filer or an affiliate of the Filer for a client that is not a responsible person (each, a **Managed Account** and, collectively, the **Managed Accounts**);

(ii) a Pooled Fund to enter into Inter-Fund Trades of securities with another Pooled Fund, an NI 81-102 Fund or a Managed Account;

(iii) a Managed Account to enter into Inter-Fund Trades of securities with an NI 81-102 Fund or a Pooled Fund; and

(iv) where the transactions listed in (i) to (iii) involve exchange-traded securities (which term shall include Canadian and foreign exchange-traded securities), the transactions are permitted to be executed at the last sale price, as defined in the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada, prior to the execution of the trade (the **Last Sale Price**) in lieu of the closing sale price contemplated by the definition of "current market price of the security" in subparagraph 6.1(1)(a)(i) of National Instrument 81-107 *Independent Review Committee for Investment Funds* (**NI 81-107**) on that trading day (the **Closing Sale Price**); and

(b) to permit the following purchases and redemptions (each purchase and redemption, an **In-Specie Transaction**):

(i) the purchase by a Managed Account of securities of an NI 81-102 Fund or Pooled Fund, and the redemption of securities held by a Managed Account in an NI 81-102 Fund or Pooled Fund, and as payment:

(A) for such purchase, in whole or in part, by the Managed Account making good delivery of portfolio securities to the NI 81-102 Fund or Pooled Fund; and

(B) for such redemption, in whole or in part, by the NI 81-102 Fund or Pooled Fund making good delivery of portfolio securities to the Managed Account; and

(ii) the purchase by an NI 81-102 Fund or Pooled Fund of securities of another NI 81-102 Fund or Pooled Fund and the redemption of securities held by an NI 81-102 Fund or Pooled Fund in another NI 81-102 Fund or Pooled Fund, and as payment for such purchase or redemption, in whole or in part, by making good delivery of portfolio securities that meet the investment criteria of that NI 81-102 Fund or Pooled Fund,

(collectively, 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 for this application; and

(b) 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 on in British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Nunavut and Yukon (the **Non-Principal Jurisdictions**).

Interpretation

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

Representations

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

1. The Filer is registered under securities legislation in each of the Jurisdiction and the Non-Principal Jurisdictions in the categories of portfolio manager and exempt market dealer and under the *Securities Act* (Ontario) as an investment fund manager. The Filer is duly organized under the *Canada Business Corporations Act* and has its head office in Ontario.

2. The Filer or an affiliate of the Filer is the manager and promoter of mutual funds that are either offered for sale pursuant to a simplified prospectus and annual information form filed in certain provinces and territories of Canada (defined above as **NI 81-102 Funds**) or offered for sale on a private placement basis pursuant to prospectus exemptions under applicable securities legislation (defined above as **Pooled Funds** and together with the NI 81-102 Funds, the **Funds**), and the Filer or an affiliate of the Filer will be the manager and promoter of future Funds.

3. None of the Pooled Funds will be a reporting issuer. Securities of each of the Pooled Funds are or will be qualified for distribution pursuant to exemptions from the prospectus requirement.

4. The Filer or an affiliate of the Filer is the portfolio manager of the existing Funds, and the Filer expects that the Filer or an affiliate of the Filer will be the portfolio manager of future Funds.

5. RBC Dexia Investor Services Trust is the trustee of certain of the existing Funds. The Filer is the trustee for all other existing Funds, and the Filer expects that either the Filer or RBC Dexia Investor Services Trust will be the trustee for all future Funds. RBC Dexia Investor Services Trust is a joint venture equally owned by Royal Bank of Canada, the parent entity of the Filer, and Dexia Banque Internationale a Luxembourg. Accordingly, a Fund may be an associate of the Filer or RBC Dexia Investor Services as appropriate, in their capacity as trustee of the Funds.

6. The Filer or an affiliate of the Filer may be the portfolio manager for Managed Accounts of the Filer or an affiliate of the Filer.

7. The Filer or an affiliate of a Filer that is registered as a portfolio manager offers discretionary portfolio management services to clients (**Clients**) seeking wealth management or related services under a written agreement (**Discretionary Management Agreement**) in connection with the Managed Account of the Client with the Filer or an affiliate of the Filer.

Inter-Fund Trades

8. The Filer wishes to be able to enter into Inter-Fund Trades of portfolio securities, including mortgages (**Mortgages**), between:

a. an NI 81-102 Fund and another NI 81 102 Fund, a Pooled Fund or a Managed Account;

b. a Pooled Fund and another Pooled Fund, an NI 81-102 Fund or a Managed Account; and

c. a Managed Account and a Pooled Fund or an NI 81-102 Fund.

9. The Filer or an affiliate of the Filer, as manager of an NI 81-102 Fund, has established or will establish an independent review committee (**IRC**) for each of the NI 81-102 Funds in accordance with the requirements of NI 81-107. The mandate of each IRC includes or will include the review and approval of the transactions covered by the Exemption Sought.

10. An Inter-Fund Trade involving an NI 81-102 will be referred to the IRC of the NI 81-102 Fund as contemplated by section 5.2(1) of NI 81-107. The IRC of the NI 81-102 Fund will not approve such purchase or sale transaction unless it has made the determination set out in section 5.2(2) of NI 81-107.

11. The Filer or an affiliate of the Filer, as manager of a Pooled Fund, does not intend to establish a new IRC for the Pooled Funds. Instead, the mandate of the IRC of the NI 81-102 Funds will be expanded to include the review and approval of Inter-Fund Trades on behalf of each Pooled Fund. In its review of Inter-Fund Trades on behalf of a Pooled Fund, the IRC will comply with the standard of care set out in section 3.9 of NI 81-107. The IRC will not approve an Inter-Fund Trade on behalf of a Pooled Fund unless the IRC has made the determination set out in section 5.2(2) of NI 81-107.

12. Inter-Fund Trades involving a Fund will be referred to the IRC under subsection 5.2(1) of NI 81-107 and the manager of such Fund will comply with section 5.4 of NI 81-107 in respect of any standing instructions the IRC provides in connection with the Inter-Fund Trade.

13. The Discretionary Management Agreement or other documentation in respect of a Managed Account will contain the authorization of the Client for the Filer (or its affiliate) on behalf of the Managed Account to engage in Inter-Fund Trades with the Funds.

14. At the time of an Inter-Fund Trade, the Filer (or its affiliate) will have in place policies and procedures applicable to Inter-Fund Trades between Funds or between Funds and Managed Accounts.

15. When a Filer, or an affiliate of a Filer, engages in an Inter-Fund Trade which involves the purchase and sale of securities between Funds or between a Fund and a Managed Account, it will generally follow the following procedures or other procedures approved by the applicable IRC:

a. the portfolio manager of the Filer or affiliate of the Filer will request the approval of the chief compliance officer of the Filer or affiliate of the Filer or his or her designated alternate, or of another designated individual, to execute a purchase or a sale of a security by a Fund or Managed Account as an Inter-Fund Trade;

b. upon receipt of the required approval, the portfolio manager of the Filer or affiliate of the Filer will either place the trade directly or deliver the trade instructions to a trader on a trading desk of the Filer or affiliate of the Filer;

c. upon receipt of the trade instructions and the required approval, the trader on the trading desk will have the discretion to execute the trade as an Inter-Fund Trade in accordance with the requirements of paragraphs (c) to (g) of subsection 6.1(2) of NI 81-107 provided that, for exchange-traded securities, the Inter-Fund Trade may be executed at the Last Sale Price of the security, determined at the time of the receipt of the required approval prior to the execution of the trade; and

d. the policies applicable to the trading desk of the Filer or affiliate of the Filer will require that all orders are to be executed on a timely basis.

16. The Filer cannot rely on the exemption from the Trading Prohibition in subsection 6.1(4) of NI 81-107 unless the parties to the Inter-Fund Trade are both reporting issuers and the Inter-Fund Trade occurs at the current market price which, in the case of exchange-traded securities, includes the Closing Sale Price but not the Last Sale Price.

17. The Filer has determined that it would be in the interests of the Funds and the Managed Accounts to receive the Exemption Sought.

18. Inter-Fund Trades in securities other than Mortgages, will be executed through a registered dealer or otherwise be subject to market integrity requirements.

19. National Policy Statement No. 29 (**NP 29**) sets out guidelines relating to investments in mortgages by a mutual fund that is subject to NP 29, including with respect to the determination of the net asset

value of mortgages, and provides certain protections to investors in such funds.

20. Each mortgage held by Funds managed or advised by Phillips, Hager & North Investment Management, an operating division of the Filer, (the **PH&N Funds**) is valued and serviced by CMLS Financial Ltd. (**CMLS**). CMLS is an affiliate of Penmor Mortgage Capital Corporation (**Penmor**). Penmor is the originator for each of the mortgages held by the PH&N Funds. CMLS and Penmor are not related to the Filer; however, two officers of the Filer serve on Board of Directors of Penmor and CMLS on a voluntary basis. Other than the PH&N Funds, the Funds currently do not hold any mortgages valued by CMLS.

21. CMLS is a mortgage valuator which uses a risk-based system to independently value mortgages for its clients. CMLS's valuations of the mortgages held by the PH&N Funds have been used by Phillips, Hager & North Investment Management without alteration or adjustment. Accordingly, pursuant to the Exemption Sought, each Mortgage traded between the Funds or between a Fund and a managed account will be valued by CMLS or another independent provider of mortgage valuation services at the price determined in accordance with the provisions of Section III(2)(2.3) of NP 29 and such valuation will be used to interfund trade any such Mortgage without alteration by the Filer.

Prior Relief to permit Inter-Fund Trades

22. A predecessor entity of the Filer, Phillips, Hager & North Investment Management Ltd., was granted an exemption from the self-dealing restrictions contained in the legislation of the Jurisdiction and the Non-Principal Jurisdictions (the **Securities Act Self-Dealing Restrictions**), which restrictions are substantially equivalent to the 31-103 Self-Dealing Restrictions, pursuant to a decision dated November 23, 2007 (the **Existing Relief**), to permit the Filer to cause the Funds and Managed Accounts to engage in Inter-Fund Trades.

23. The Filer has been relying on the Existing Relief following the repeal of section 127(1)(b) of the *Securities Act* (British Columbia) and the implementation of NI 31-103 on the basis of section 16.12 of NI 31-103, which provides that a person or company that was entitled to rely on an exemption, waiver or approval granted to it by a regulator or securities regulatory authority relating to a requirement under securities legislation or securities directions existing immediately before NI 31-103 came into force is exempt from any substantially similar provision of NI 31-103 to the same extent and on the same conditions, if any, as contained in the exemption, waiver or approval.

24. A predecessor entity of the Filer, RBC Asset Management Inc., was granted an exemption from the application of section 6.1(4) of NI 81-107 to the extent that it requires a purchase or sale of an exchange traded security between one NI 81-102 Fund and another NI 81-102 Fund to comply with section 6.1(2)(e) of NI 81-107 to permit Inter-Fund Trades between one NI 81-102 Fund and another NI 81-102 Fund at the Last Sale Price pursuant to a decision of the Ontario Securities Commission and the securities regulators of Canada on January 18, 2008 (the **Last Sale Price Relief**).

25. The Filer now requests the Exemption Sought to specifically contemplate In-Specie Transactions and Inter-Fund Trades between a Fund and a discretionary account of the Filer or of an affiliate of the Filer, that is managed by the Filer or an affiliate of the Filer, for a client that is not a responsible person.

26. The Existing Relief was granted only in British Columbia and Alberta given the applicable facts and legislation at the time which made the relief not required in other provinces and territories of Canada.

27. The Filer was formed through the amalgamation of Phillips, Hager & North Investment Management Ltd., with its affiliate, RBC Asset Management Inc., effective November 1, 2010 (the **Amalgamation**). Following the Amalgamation, the head office of the Filer is located in Ontario. As a result of the change in office from British Columbia, the location of the head office of the predecessor entity, Phillips, Hager & North Investment Management Ltd., to Ontario, certain Inter-Fund Trades may be considered to occur in the Jurisdiction. In addition, the investment decision making structure for the Filer may involve certain Inter-Fund Trades occurring in each of the Non-Principal Jurisdictions.

28. Should the Exemption Sought be granted, neither the Filer, nor any affiliate of the Filer, will rely on the Existing Relief.

29. None of the Filer, or any affiliate of the Filer or the Funds, is in default of any requirements of securities legislation in the Jurisdiction or any Non-Principal Jurisdiction.

In-Specie Transactions

30. Investments in individual securities may at certain times not be appropriate in certain circumstances for Clients of the Filer or an affiliate of the Filer. Consequently, the Filer may, where authorized under the Discretionary Management Agreement, from time to time invest Client assets in securities of any one or more of the Funds in order to give its Clients the benefit of asset diversification and economies of scale regarding minimum

commission charges on portfolio trades, and generally to facilitate portfolio management.

31. The Filer also wishes to be able to enter into transactions that permit payment, in whole or in part, for units or shares of a Fund (**Fund Securities**) purchased by a Managed Account to be made by making good delivery of portfolio securities held by such Managed Account to a Fund, provided those portfolio securities meet the investment criteria of the Fund.

32. Similarly, following a redemption of Fund Securities by a Managed Account, the Filer wishes to be able to enter into transactions that permit payment, in whole or in part, of redemption proceeds to be satisfied by making good delivery of portfolio securities held in the investment portfolio of a Fund to such Managed Account, provided those portfolio securities meet the investment criteria of the Managed Account.

33. The Filer anticipates that such In-Specie Transactions will typically occur following a redemption of Fund Securities where a Managed Account invested in such Fund has experienced a change in circumstances which results in the Managed Account being an ideal candidate for direct holdings of individual portfolio securities rather than Fund Securities, or vice versa.

34. In addition, the Filer wishes to be able to enter into In-Specie Transactions for purchases and redemptions of Fund Securities between two Funds. This will occur where, as part of its portfolio management, a Fund wishes to obtain exposure to certain investments or category of asset classes invested in by a second Fund by investing in Fund Securities of that second Fund. The Filer wishes to be able to enter into transactions that permit payment, in whole or in part, for the Fund Securities to be made by making good delivery of portfolio securities held by the Fund to the second Fund in which it seeks to invest. Similarly, following a redemption of Fund Securities, the Filer wishes to be able to enter into transactions that permit payment, in whole or in part, of the redemption proceeds to be satisfied by making good delivery of portfolio securities held in the investment portfolio of the Fund being redeemed, provided those portfolio securities meet the investment criteria of the Fund accepting those portfolio securities.

35. Each Discretionary Management Agreement or other documentation will contain the authorization of the Client for the Filer (or its affiliate) to engage in In-Specie Transactions on behalf of the Managed Account.

36. The Filer (or its affiliate) will value portfolio securities under an In-Specie Transaction using the same values to be used on that day to calculate the net asset value for the purpose of the issue price or redemption price of Fund Securities.

37. Since the Filer or its affiliate, is or will be the portfolio manager of the Managed Accounts and/or the Funds, the Filer or its affiliate would be considered a "responsible person" within the meaning of NI 31-103.

38. Prior to entering into an In-Specie Transaction involving a Fund and/or Managed Account, the proposed transaction will be reviewed to determine that the transaction represents the business judgment of the Filer (or its affiliate), uninfluenced by considerations other than the best interests of the Fund and/or Managed Account.

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:

Inter-Fund Trades:

1. the Inter-Fund Trade is consistent with the investment objective of the Fund or Managed Account;

2. the Filer, or an affiliate of the Filer, as manager of a Fund, refers the Inter-Fund Trade involving a Fund to the IRC in the manner contemplated by section 5.1 of NI 81-107 and the manager and the IRC comply with section 5.4 of NI 81-107 in respect of any standing instructions the IRC provides in connection with the Inter-Fund Trade;

3. the IRC of each Fund has approved the Inter-Fund Trade in accordance with the terms of subsection 5.2(2) of NI 81-107;

4. in the case of an Inter-Fund Trade between Funds in securities other than Mortgages, the Inter-Fund Trade complies with paragraphs (c) to (g) of subsection 6.1(2) of NI 81-107, except that for purposes of paragraph (e) of subsection 6.1(2) in respect of exchange-traded securities, the current market price of the security may be the Last Sale Price;

5. in the case of an Inter-Fund Trade between a Fund and a Managed Account:

   (a) the Discretionary Management Agreement or other documentation in respect of the Managed Account authorizes the Inter-Fund Trade; and

(b) where the Inter-Fund Trade involves securities other than Mortgages, the Inter-Fund Trade complies with paragraphs (c) to (g) of subsection 6.1(2) of NI 81-107, except that for purposes of paragraph (e) of subsection 6.1(2) in respect of exchange-traded securities, the current market price of the security may be the Last Sale Price;

6. with respect to each Inter-Fund Trade of Mortgages:

(a) each Mortgage traded in reliance on the Exemption Sought will comply with Section III (2)(2.1) (b), (c), (e), (f) and (i) of NP 29;

(b) each Mortgage traded between a Pooled Fund or a Managed Account and a NI 81-102 Fund in reliance on the Exemption Sought will be a guaranteed mortgage as defined in NI 81-102;

(c) each Mortgage traded between a Pooled Fund or a Managed Account and a NI 81-102 Fund subject to NP 29 under s. 20.4 of NI 81-102, will comply with Section III(2)(2.1)(g) of NP 29; and

(d) each Mortgage traded between the Funds or between Fund and a Managed Account will be valued by CMLS or another independent provider of mortgage valuation services, at the price determined in accordance with the provisions of Section III (2)(2.3) *Arm's Length Transactions Investor's Yield* of NP 29;

7. the applicable Fund(s) keeps the written records required by section 6.1(2)(g) of NI 81-107; and

8. the applicable Fund(s) receives no consideration and the only cost for the trade is the nominal cost incurred by the Fund(s) to print or otherwise display the trade;

In-Specie Transactions:

9. in connection with an In-Specie Transaction where a Managed Account acquires Fund Securities:

(a) if the transaction involves the purchase of Fund Securities of an NI 81-102 Fund by the Managed Account, the IRC of the NI 81-102 Fund has approved the In Specie Transaction on behalf of the NI 81-102 Fund in accordance with the terms of section 5.2(2) of NI 81-107;

(b) the Filer (or affiliate of the Filer) and the applicable IRC comply with section 5.4 of NI 81-107 for any standing instructions the applicable IRC provides in connection with the transaction;

(c) the Filer (or its affiliate) obtains the prior written consent of the Client of the Managed Account before it engages in any In-Specie Transaction;

(d) the Fund would, at the time of payment, be permitted to purchase the securities;

(e) the securities are acceptable to the Filer (or its affiliate) as portfolio manager of the Fund and consistent with the Fund's investment objective;

(f) the value of the securities is at least equal to the issue price of the Fund Securities of the Fund for which they are used as payment, valued as if the securities were portfolio assets of that Fund;

(g) the account statement next prepared for the Managed Account describes the securities delivered to the Fund and the value assigned to such securities; and

(h) the Fund will keep written records of each In-Specie Transaction in a financial year of the Fund, reflecting details of the securities delivered to the Fund and the value assigned to such securities, for five years after the end of the financial year, the most recent two years in a reasonably accessible place;

10. in connection with an In-Specie Transaction where a Managed Account redeems Fund Securities:

(a) if the transaction involves the redemption of Fund Securities of an NI 81-102 Fund by a Managed Account, the applicable IRC of the NI 81-102 Fund has approved the In Specie Transaction on behalf of the NI 81-102 Fund in accordance with the terms of section 5.2(2) of NI 81-107;

(b) the Filer (or affiliate of the Filer) and the applicable IRC comply with section 5.4 of NI 81-107 for any standing instructions the applicable IRC provides in connection with the transaction;

(c) the Filer (or its affiliate) obtains the prior written consent of the Client of the Managed Account before it engages in an In-Specie Transaction and such consent has not been revoked;

(d) the securities are acceptable to the Filer (or its affiliate) as portfolio manager of

the Managed Account and consistent with the Managed Account's investment objective;

(e) the value of the securities is equal to the amount at which those securities were valued in calculating the net asset value per Fund Security used to establish the redemption price;

(f) the account statement next prepared for the Managed Account describes the securities delivered to the Managed Account and the value assigned to such securities; and

(g) the Fund will keep written records of each In-Specie Transaction in a financial year of the Fund, reflecting details of the securities delivered by the Fund and the value assigned to such securities, for five years after the end of the financial year, the most recent two years in a reasonably accessible place;

11. in connection with an In-Specie Transaction where a Fund purchases Fund Securities:

(a) if the transaction involves the redemption of Fund Securities of an NI 81-102 Fund, the applicable IRC of the NI 81-102 Fund has approved the In Specie Transaction on behalf of the NI 81-102 Fund in accordance with the terms of section 5.2(2) of NI 81-107;

(b) the Filer (or affiliate of the Filer) and the applicable IRC comply with section 5.4 of NI 81-107 for any standing instructions the applicable IRC provides in connection with the transaction;

(c) the Fund would, at the time of payment, be permitted to purchase the securities;

(d) the securities are acceptable to the Filer (or its affiliate) as portfolio manager of the Fund and consistent with such Fund's investment objective;

(e) the value of the securities is equal to the issue price of the Fund Securities of the Fund, valued as if the securities were portfolio assets of that Fund; and

(f) the Fund will keep written records of each In-Specie Transaction in a financial year of the Fund, reflecting details of the securities delivered to the Fund and the value assigned to such securities, for five years after the end of the financial year, the most recent two years in a reasonably accessible place;

12. in connection with an In-Specie Transaction where a Fund redeems Fund Securities:

(a) if the transaction involves the redemption of Fund Securities of an NI 81-102 Fund, the applicable IRC of the NI 81-102 Fund has approved the In-Specie Transaction on behalf of the NI 81-102 Fund in accordance with the terms of section 5.2(2) of NI 81-107;

(b) the Filer (or affiliate of the Filer) and the applicable IRC comply with section 5.4 of NI 81-107 for any standing instructions the applicable IRC provides in connection with the transaction;

(c) the securities are acceptable to the Filer (or its affiliate) as portfolio manager of the Fund and consistent with the Fund's investment objective;

(d) the value of the securities is equal to the amount at which those securities were valued in calculating the net asset value per security used to establish the redemption price; and

(e) the Fund will keep written records of each In-Specie Transaction in a financial year of the Fund, reflecting details of the securities delivered by the Fund and the value assigned to such securities, for five years after the end of the financial year, the most recent two years in a reasonably accessible place; and

13. the Filer does not receive any compensation in respect of any In-Specie Transaction and, in respect of any delivery of securities further to an In-Specie Transaction, the only charges paid by the Managed Account or the applicable Fund is the commission charged by the dealer executing the trade (if any) and/or any administrative charges levied by the custodian.

"Darren McKall"
Manager, Investment Funds
Ontario Securities Commission

2.1.9 CIBC Asset Management Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Exemption from the self-dealing prohibition in section 4.2 of NI 81-102 to permit a fund to engage in forward contracts with a related counterparty on a limited basis – Fund achieves its objective of providing tax-efficient returns by investing in equity securities of Canadian public issuers and entering into forward contracts with one or more counterparties under which the fund forward-sells the Canadian equity securities for a price determined with reference to the performance of an underlying fund – Large size achieved by the fund requires diversification of counterparty risk – Current counterparty is quickly reaching current capacity for the fund and will cap the size of the forward contracts when the capacity is reached – Only two financial institutions, one of which is an affiliate of the manager of the fund, are currently available to act as counterparty under the monthly rolling forward structure of the fund – Terms offered by related counterparty are currently more favourable than those of arm's length counterparties – Relief granted to permit the Fund to enter into forward contracts with the related counterparty subject to certain conditions including, the requirement to obtain the approval of the fund's IRC, a limit on the mark-to-market value of the exposure of the fund under the forward contracts with the related counterparty of no more than 33 1/3% of the net asset value of the Fund, and a requirement that the pricing and terms offered by the related counterparty be at least as favourable as the pricing and terms offered by arm's length counterparties – National Instrument 81-102 Mutual Funds.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 4.2, 19.1.

August 31, 2011

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.
(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 section 4.2 of National Instrument 81-102 *Mutual Funds* (**NI 81-102**) pursuant to section 19.1 of NI 81-102 (the **Exemption Sought**), in order for the Renaissance Corporate Bond Capital Yield Fund (the Fund) managed by the Filer to enter into forward contracts (the **Forward Contracts**) with Canadian Imperial Bank of Commerce or an affiliate thereof (**CIBC**).

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

1. The Filer is a corporation organized under the laws of Canada and is registered as a portfolio manager, investment fund manager and commodity trading manager in all provinces and territories of Canada.

2. The Filer is the investment fund manager, portfolio manager and trustee of the Fund and of the Underlying Fund (defined below).

3. The Filer is a wholly-owned subsidiary of CIBC.

4. CIBC is a Schedule I bank under the *Bank Act* (Canada).

5. The Filer is not in default of securities legislation in any of the jurisdictions.

The Fund and the Underlying Fund

6. The Fund is an open-ended mutual fund trust established under the laws of the Province of Ontario on October 7, 2009.

7. The Fund is a reporting issuer in every jurisdiction in Canada. It offers its securities for sale to the general public under a simplified prospectus filed in every jurisdiction in Canada.

8. The Fund is not in default of securities legislation in any of the jurisdictions.

9. The investment objective of the Fund is to seek to generate tax-efficient returns, primarily through exposure to a corporate bond fund that will invest primarily in bonds, debentures, notes, and other debt instruments of Canadian issuers (the

Reference Securities). The Fund may, however, also invest directly in the Reference Securities where the Fund considers it would be beneficial to unitholders to do so.

10. To achieve its investment objective, the Fund currently obtains exposure to Renaissance Corporate Bond Fund (the **Underlying Fund**) by investing in equity securities of Canadian public issuers and entering into Forward Contracts with one or more counterparties under which the Fund will forward-sell the Canadian equity securities for a price determined with reference to the total return of an investment in units of the Underlying Fund.

11. The Underlying Fund is a reporting issuer in every jurisdiction in Canada. It currently offers Class O units under a simplified prospectus. Such units are not offered for sale to the general public but rather are only available to certain eligible investors. The Underlying Fund invests primarily in bonds, debentures, notes, and other debt instruments of Canadian issuers.

12. The Underlying Fund is not in default of securities legislation in any of the jurisdictions.

13. In order to hedge its obligation under the Forward Contracts, the counterparty will likely, but is not required to, purchase securities of the Underlying Fund. As a result, other than any units continued to be held by the Filer due to the obligation to seed the Underlying Fund, all of the units of the Underlying Fund will be held by the counterparties.

14. The investment exposure of the Fund to the Underlying Fund does, and will continue to, comply with the requirements of section 2.5 of NI 81-102 relating to investments in other funds.

The Forward Contracts

15. The Forward Contracts provide exposure to the performance of the Underlying Fund.

16. The Forward Contracts consist of monthly rolling forward contracts. The terms of the Forward Contracts provide that they may be partially settled prior to their maturity. If there is a partial pre-settlement, the Fund will sell Canadian equity securities of one or more issuers to the counterparty of an amount equal to the actual redemption proceeds (together with any cash distributions in respect of the redeemed securities) that an investor in the Underlying Fund would receive at the relevant time for a related number of securities of the Underlying Fund. If there is a partial pre-settlement prior to maturity, the Fund will realize a capital gain or a capital loss for tax purposes on the sale of Canadian equity securities, even if the Fund elects to use the proceeds from the pre-settlement to invest in other Canadian equity securities.

17. The underlying interest of the Forward Contracts, being the units of the Underlying Fund, has objective and transparent pricing because the net asset value of the Underlying Fund is determined daily in accordance with the Filer's valuation policies and is calculated by a third party valuation agent, which policies are identical for all of the funds under its management.

18. The underlying interest of the Forward Contracts is selected by the Filer and is not influenced by a counterparty.

19. The Forward Contracts are entered into by the Fund in accordance with the requirements of NI 81-102, including in particular sections 2.7 and 2.8 thereof.

The Counterparties

20. Since the Fund began offering its securities to the public in October 2009, the Fund has been using a single counterparty (**Counterparty 1**) under the Forward Contracts. Counterparty 1 is a major financial institution that is at arm's length with the Fund and the Filer.

21. The Filer wishes to cause the Fund to use another counterparty in addition to Counterparty 1 for the Fund's Forward Contracts for the following reasons:

    (a) The Fund has grown dramatically since inception and, as at August 23, 2011, has a net asset value of approximately $ 1.2 Billion. Given the large size of the Fund, the Filer now considers that there is significant risk to the Fund of continuing to deal with Counterparty 1 as the sole counterparty under the Forward Contracts and therefore wishes to diversify the Fund's counterparty risk by dealing with at least one other counterparty;

    (b) Counterparty 1 has advised the Filer that it is quickly reaching current capacity for the Fund and will cap the size of the Forward Contracts when the capacity has been reached.

22. The Filer has considered causing the Fund to invest directly in the Reference Securities. However, in order not to compromise the investment objective of the Fund that is to generate tax efficient returns, the Filer has determined that it could not invest directly in the Reference Securities an amount of the net asset value of the Fund sufficient to achieve the Filer's goal of diversifying the Fund's counterparty risk.

As a result, the Fund would remain largely exposed to Counterparty 1 as the current counterparty.

23. The Filer has performed an assessment of the market availability of providers of forward-sale contracts which resulted in only two financial institutions currently being available to act as counterparty under the monthly rolling forward structure of the Fund.

24. Those two Canadian financial institutions that are, as of the date of this Decision, available to enter into the Forward Contracts with the Fund include CIBC and an arm's length financial institution (**Counterparty 2**).

25. Subject to the Fund being granted the Exemption Sought, CIBC is available to act as related counterparty under the Forward Contracts at a price that is currently more favourable than the price and terms offered by Counterparty 1 and Counterparty 2.

Conflict of Interest

26. In the interest of maintaining a service that is fundamental for the Fund to achieve its investment objective of generating tax-efficient returns, without having to necessarily incur increased costs for the Fund and its securityholders, the Filer wishes to retain CIBC as additional counterparty under the Fund's Forward Contracts.

27. But for the Exemption Sought, section 4.2 of NI 81-102 would prohibit the Fund from purchasing a security from, or selling a security to, an affiliate or associate of the Filer, unless the conditions of section 4.3 of NI 81-102 are met.

28. On settlement of the Forward Contracts, the Fund will sell to CIBC the Canadian equity securities for a price that is different from the price prescribed in the exception available under paragraph 4.3(1)(b).

29. The Filer will only enter into the Forward Contracts with CIBC if the pricing terms offered by CIBC under the Forward Contracts are at least as favourable as the pricing terms the Filer can get from third party counterparties for similar size exposure and at least as favourable as the pricing terms committed by CIBC to managers of third party funds of similar size to the Fund.

30. The benefit of the transaction to CIBC is the forward fee that CIBC will receive on the transaction.

31. The Filer has established policies relating to the use of a related party as a counterparty in derivative transactions with the Fund.

32. The entering into of the Forward Contracts with CIBC by the Fund will represent the business judgment of the Filer 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 Exemption Sought is granted provided that:

I. the Filer , in accordance with subsection 5.2(1) of National Instrument 81-107 *Independent Review Committee for Investment Funds* (**NI 81-107**), obtain the approval of the Fund's Independent Review Committee (**IRC**) before it may use CIBC as counterparty under the Forward Contracts with the Fund, and the IRC provides such approval in accordance with subsection 5.2(2) of NI 81-107;

II. the Filer complies with section 5.1 of NI 81-107, and the Filer and the IRC of the Fund comply with section 5.4 of NI 81-107 for any standing instructions the IRC provides in connection with the Fund's use of CIBC as counterparty under the Forward Contracts;

III. the mark-to-market value of the exposure of the Fund under the Forward Contracts with CIBC does not exceed 33 1/3% of the net asset value of the Fund;

IV. the pricing terms of the Forward Contracts offered by CIBC to the Fund are at least as favourable as the pricing terms the Filer can get from arm's length counterparties for similar size exposure and at least as favourable as the pricing terms committed by CIBC to managers of third party funds of similar size to the Fund;

V. the Filer's policy in relation to the Forward Contracts with CIBC will be reviewed and assessed on a quarterly basis by the IRC in accordance with section 4.2 of NI 81-107; and

VI. the simplified prospectus of the Fund discloses in the Investment Strategy section of the prospectus:

(i) the fact that subject to the Exemption Sought being granted, the Fund may enter into the Forward Contracts with CIBC;

(ii) the relationship that exists between the Fund, the Filer and CIBC; and

(iii) the extent to which the Fund may be exposed to CIBC, in accordance with condition III above.

"Raymond Chan"
Manager, Investment Funds
Ontario Securities Commission

2.1.10 CIBC Asset Management Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Exemption from the self-dealing prohibition in section 4.2 of NI 81-102 to permit a fund to engage in forward contracts with a related counterparty on a limited basis and revocation of prior decision – Fund achieves its objective of providing tax-efficient returns by investing in equity securities of Canadian public issuers and entering into forward contracts with one or more counterparties under which the fund forward-sells the Canadian equity securities for a price determined with reference to the performance of an underlying fund – Large size achieved by the fund requires diversification of counterparty risk – Current counterparty is quickly reaching current capacity for the fund and will cap the size of the forward contracts when the capacity is reached – Only two financial institutions, one of which is an affiliate of the manager of the fund, are currently available to act as counterparty under the monthly rolling forward structure of the fund – Terms offered by related counterparty are currently more favourable than those of arm's length counterparties – Relief granted to permit the Fund to enter into forward contracts with the related counterparty subject to certain conditions including, the requirement to obtain the approval of the fund's IRC, a limit on the underlying market exposure of the forward contracts with the related counterparty of no more than 33 1/3% of the net asset value of the Fund on a daily mark-to-market basis, and a requirement that the pricing and terms offered by the related counterparty be at least as favourable as the pricing and terms offered by arm's length counterparties – Prior decision revoked and replaced – National Instrument 81-102 Mutual Funds.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 4.2, 19.1.

September 19, 2011

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.
(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:

(a) an exemption from section 4.2 of National Instrument 81-102 *Mutual Funds* (**NI 81-102**) pursuant to section 19.1 of NI 81-102 (the **Exemption Sought**), in order for the Renaissance Corporate Bond Capital Yield Fund (the **Fund**) managed by the Filer to enter into forward contracts (the **Forward Contracts**) with Canadian Imperial Bank of Commerce or an affiliate thereof (**CIBC**); and

(b) a revocation of the decision dated August 31, 2011 (the **Prior Decision**) granting the Fund relief from section 4.2 of NI 81-102 to enter into the Forward Contracts with CIBC.

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

1. The Filer is a corporation organized under the laws of Canada and is registered as a portfolio manager, investment fund manager and commodity trading manager in all provinces and territories of Canada.

2. The Filer is the investment fund manager, portfolio manager and trustee of the Fund and of the Underlying Fund (defined below).

3. The Filer is a wholly-owned subsidiary of CIBC.

4. CIBC is a Schedule I bank under the *Bank Act* (Canada).

5. The Filer is not in default of securities legislation in any of the jurisdictions.

The Fund and the Underlying Fund

6. The Fund is an open-ended mutual fund trust established under the laws of the Province of Ontario on October 7, 2009.

7. The Fund is a reporting issuer in every jurisdiction in Canada. It offers its securities for sale to the general public under a simplified prospectus filed in every jurisdiction in Canada.

8. The Fund is not in default of securities legislation in any of the jurisdictions.

9. The investment objective of the Fund is to seek to generate tax-efficient returns, primarily through exposure to a corporate bond fund that will invest primarily in bonds, debentures, notes, and other debt instruments of Canadian issuers (the **Reference Securities**). The Fund may, however, also invest directly in the Reference Securities where the Fund considers it would be beneficial to unitholders to do so.

10. To achieve its investment objective, the Fund currently obtains exposure to Renaissance Corporate Bond Fund (the **Underlying Fund**) by investing in equity securities of Canadian public issuers and entering into Forward Contracts with one or more counterparties under which the Fund will forward-sell the Canadian equity securities for a price determined with reference to the total return of an investment in units of the Underlying Fund.

11. The Underlying Fund is a reporting issuer in every jurisdiction in Canada. It currently offers Class O units under a simplified prospectus. Such units are not offered for sale to the general public but rather are only available to certain eligible investors. The Underlying Fund invests primarily in bonds, debentures, notes, and other debt instruments of Canadian issuers.

12. The Underlying Fund is not in default of securities legislation in any of the jurisdictions.

13. In order to hedge its obligation under the Forward Contracts, the counterparty will likely, but is not required to, purchase securities of the Underlying Fund. As a result, other than any units continued to be held by the Filer due to the obligation to seed the Underlying Fund, all of the units of the Underlying Fund will be held by the counterparties.

14. The investment exposure of the Fund to the Underlying Fund does, and will continue to, comply with the requirements of section 2.5 of NI 81-102 relating to investments in other funds.

The Forward Contracts

15. The Forward Contracts provide exposure to the performance of the Underlying Fund.

16. The Forward Contracts consist of monthly rolling forward contracts. The terms of the Forward Contracts provide that they may be partially settled prior to their maturity. If there is a partial pre-settlement, the Fund will sell Canadian equity securities of one or more issuers to the counterparty of an amount equal to the actual

redemption proceeds (together with any cash distributions in respect of the redeemed securities) that an investor in the Underlying Fund would receive at the relevant time for a related number of securities of the Underlying Fund. If there is a partial pre-settlement prior to maturity, the Fund will realize a capital gain or a capital loss for tax purposes on the sale of Canadian equity securities, even if the Fund elects to use the proceeds from the pre-settlement to invest in other Canadian equity securities.

17. The underlying interest of the Forward Contracts, being the units of the Underlying Fund, has objective and transparent pricing because the net asset value of the Underlying Fund is determined daily in accordance with the Filer's valuation policies and is calculated by a third party valuation agent, which policies are identical for all of the funds under its management.

18. The underlying interest of the Forward Contracts is selected by the Filer and is not influenced by a counterparty.

19. The Forward Contracts are entered into by the Fund in accordance with the requirements of NI 81-102, including in particular sections 2.7 and 2.8 thereof.

The Counterparties

20. Since the Fund began offering its securities to the public in October 2009, the Fund has been using a single counterparty (**Counterparty 1**) under the Forward Contracts. Counterparty 1 is a major financial institution that is at arm's length with the Fund and the Filer.

21. The Filer wishes to cause the Fund to use another counterparty in addition to Counterparty 1 for the Fund's Forward Contracts for the following reasons:

    (a) The Fund has grown dramatically since inception and, as at August 23, 2011, has a net asset value of approximately $ 1.2 Billion. Given the large size of the Fund, the Filer now considers that there is significant risk to the Fund of continuing to deal with Counterparty 1 as the sole counterparty under the Forward Contracts and therefore wishes to diversify the Fund's counterparty risk by dealing with at least one other counterparty;

    (b) Counterparty 1 has advised the Filer that it is quickly reaching current capacity for the Fund and will cap the size of the Forward Contracts when the capacity has been reached.

22. The Filer has considered causing the Fund to invest directly in the Reference Securities. However, in order not to compromise the investment objective of the Fund that is to generate tax efficient returns, the Filer has determined that it could not invest directly in the Reference Securities an amount of the net asset value of the Fund sufficient to achieve the Filer's goal of diversifying the Fund's counterparty risk. As a result, the Fund would remain largely exposed to Counterparty 1 as the current counterparty.

23. The Filer has performed an assessment of the market availability of providers of forward-sale contracts which resulted in only two financial institutions currently being available to act as counterparty under the monthly rolling forward structure of the Fund.

24. Those two Canadian financial institutions that are, as of the date of this Decision, available to enter into the Forward Contracts with the Fund include CIBC and an arm's length financial institution (**Counterparty 2**).

25. Subject to the Fund being granted the Exemption Sought, CIBC is available to act as related counterparty under the Forward Contracts at a price that is currently more favourable than the price and terms offered by Counterparty 1 and Counterparty 2.

Conflict of Interest

26. In the interest of maintaining a service that is fundamental for the Fund to achieve its investment objective of generating tax-efficient returns, without having to necessarily incur increased costs for the Fund and its securityholders, the Filer wishes to retain CIBC as additional counterparty under the Fund's Forward Contracts.

27. But for the Exemption Sought, section 4.2 of NI 81-102 would prohibit the Fund from purchasing a security from, or selling a security to, an affiliate or associate of the Filer, unless the conditions of section 4.3 of NI 81-102 are met.

28. On settlement of the Forward Contracts, the Fund will sell to CIBC the Canadian equity securities for a price that is different from the price prescribed in the exception available under paragraph 4.3(1)(b).

29. The Filer will only enter into the Forward Contracts with CIBC if the pricing terms offered by CIBC under the Forward Contracts are at least as favourable as the pricing terms the Filer can get from third party counterparties for similar size exposure and at least as favourable as the pricing terms committed by CIBC to managers of third party funds of similar size to the Fund.

30. The benefit of the transaction to CIBC is the forward fee that CIBC will receive on the transaction.

31. The Filer has established policies relating to the use of a related party as a counterparty in derivative transactions with the Fund.

32. The entering into of the Forward Contracts with CIBC by the Fund will represent the business judgment of the Filer uninfluenced by considerations other than the best interests of the Fund.

Prior Decision

33. The Prior Decision granted the Exemption Sought subject to a number of conditions, including that the mark-to-market value of the exposure of the Fund under the Forward Contracts with CIBC not exceed 33 1/3% of the net asset value of the Fund. That condition imprecisely stated how the Fund's exposure to CIBC as counterparty was to be calculated and must be clarified.

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:

(a) the Exemption Sought is granted provided that:

I. the Filer, in accordance with subsection 5.2(1) of National Instrument 81-107 *Independent Review Committee for Investment Funds* (**NI 81-107**), obtain the approval of the Fund's Independent Review Committee (**IRC**) before it may use CIBC as counterparty under the Forward Contracts with the Fund, and the IRC provides such approval in accordance with subsection 5.2(2) of NI 81-107;

II. the Filer complies with section 5.1 of NI 81-107, and the Filer and the IRC of the Fund comply with section 5.4 of NI 81-107 for any standing instructions the IRC provides in connection with the Fund's use of CIBC as counterparty under the Forward Contracts;

III. the underlying market exposure of the Forward Contracts with CIBC does not exceed 33?% of the net asset value of the Fund on a daily mark-to-market basis;

IV. the pricing terms of the Forward Contracts offered by CIBC to the Fund are at least as favourable as the pricing terms the Filer can get from arm's length counterparties for similar size exposure and at least as favourable as the pricing terms committed by CIBC to managers of third party funds of similar size to the Fund;

V. the Filer's policy in relation to the Forward Contracts with CIBC will be reviewed and assessed on a quarterly basis by the IRC in accordance with section 4.2 of NI 81-107; and

VI. the simplified prospectus of the Fund discloses in the Investment Strategy section of the prospectus:

(i) the fact that subject to the Exemption Sought being granted, the Fund may enter into the Forward Contracts with CIBC;

(ii) the relationship that exists between the Fund, the Filer and CIBC; and

(ii) the extent to which the Fund may be exposed to CIBC, in accordance with condition III above; and

(b) the Prior Decision is revoked and replaced by this decision.

"Raymond Chan"
Manager, Investment Funds
Ontario Securities Commission

2.1.11 Fortis Inc. et al.

Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-203 Process for Exemptive Relief applications in Multiple Jurisdictions – National Instrument 52-107, s. 9.1 Acceptable Accounting Principles, Auditing Standards and Reporting Currency – the Filers request relief from the requirements under paragraph 2.1(2)(e) and subsection 4.2(1) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards (NI 52-107) that "any other financial statements" be prepared in accordance with Canadian GAAP – Part V (the Exemption Sought) to permit the Filers to prepare "any other financial statements" in accordance with U.S. GAAP for the year ended December 31, 2011.

Applicable Legislative Provisions

National Instrument 52-107 Acceptable Accounting Principles and Auditing Standard, s. 5.1.

September 20, 2011

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
FORTIS INC. ("Fortis"), ON BEHALF OF ITSELF
AND FORTISBC HOLDINGS INC.,
FORTISBC ENERGY INC.,
FORTISBC INC., FORTISALBERTA INC.,
NEWFOUNDLAND POWER INC. AND
CARIBBEAN UTILITIES COMPANY, LTD.

DECISION

Background

The principal regulator in the Jurisdiction (the "**Principal Regulator**") has received an application from Fortis for a decision under the securities legislation of the Jurisdiction (the "**Legislation**") of the Principal Regulator exempting Fortis and its reporting issuer subsidiaries, FortisBC Holdings Inc., FortisBC Energy Inc., FortisBC Inc., FortisAlberta Inc., Newfoundland Power Inc. and Caribbean Utilities Company, Ltd. (collectively, the "**Subsidiaries**" and, together with Fortis, the "**Filers**"), from the requirements under sections 2.1(2)(e) and 4.2(1) of National Instrument 52-107 – *Acceptable Accounting Principles and Auditing Standards* ("**NI 52-107**") that "any other financial statements" be prepared in accordance with the financial reporting standards applicable to such publicly accountable enterprise (the "**Exemption Sought**") to permit each of the Filers to prepare and file on the System for Electronic Document Analysis and Retrieval ("**SEDAR**"), subsequent to filing its audited annual financial statements for the fiscal year ended December 31, 2011 ("**Fiscal 2011**") as required by sections 4.1 and 4.2 of National Instrument 51-102 – *Continuous Disclosure Obligations*, prepared in accordance with Canadian GAAP – Part V (as such term is defined in Part 4 of NI 52-107), as permitted for a "qualifying entity" pursuant to section 5.4 of NI 52-107, comparative audited annual financial statements for Fiscal 2011, prepared in accordance with United States generally accepted accounting principles ("**U.S. GAAP**").

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

Interpretation

Terms defined in National Instrument 14-101 – *Definitions*, MI 11-102 and NI 52-107 have the same meaning if used in this decision, unless otherwise defined.

Representations

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

Fortis Inc.

1. Fortis is principally a diversified utility holding company and was continued under the *Corporations Act* (Newfoundland and Labrador) on August 28, 1987. The head office of Fortis is in St. John's, Newfoundland and Labrador.

2. Fortis is a reporting issuer or equivalent in the Jurisdiction and each of the Passport Jurisdictions other than the Yukon Territory, the Northwest Territories and Nunavut and, to its knowledge, is not in default of securities legislation in any jurisdiction in Canada.

FortisBC Holdings Inc.

3. FortisBC Holdings Inc. ("**FHI**") is a utility holding company incorporated under the laws of British

Columbia. Its articles were amended on March 1, 2011 to change its name to FortisBC Holdings Inc. The head office of FHI is in Vancouver, British Columbia.

4. FHI is a reporting issuer or equivalent in the Jurisdiction and each of the Passport Jurisdictions and, to its knowledge, is not in default of securities legislation in any jurisdiction in Canada.

FortisBC Energy Inc.

5. FortisBC Energy Inc. ("**FEI**") is a gas distribution company incorporated under the laws of British Columbia. Its articles were amended on March 1, 2011 to change its name to FortisBC Energy Inc. The head office of FEI is in Vancouver, British Columbia.

6. FEI is a reporting issuer or equivalent in the Jurisdiction and each of the Passport Jurisdictions and, to its knowledge, is not in default of securities legislation in any jurisdiction in Canada.

FortisBC Inc.

7. FortisBC Inc. ("**FBC**") is an integrated electric utility incorporated under the laws of British Columbia. The head office of FBC is in Kelowna, British Columbia.

8. FBC is a reporting issuer or equivalent in the Jurisdiction and each of the Passport Jurisdictions other than the Yukon Territory, the Northwest Territories and Nunavut and, to its knowledge, is not in default of securities legislation in any jurisdiction in Canada.

FortisAlberta Inc.

9. FortisAlberta Inc. ("**FAB**") is an electricity distribution company incorporated under the laws of Alberta. The head office of FAB is in Calgary, Alberta.

10. FAB is a reporting issuer or equivalent in the Jurisdiction and each of the Passport Jurisdictions other than the Yukon Territory, the Northwest Territories and Nunavut and, to its knowledge, is not in default of securities legislation in any jurisdiction in Canada.

Newfoundland Power Inc.

11. Newfoundland Power Inc. ("**NPI**") is an integrated electric utility incorporated under the laws of Newfoundland and Labrador. The head office of NPI is located in St. John's, Newfoundland and Labrador.

12. NPI is a reporting issuer or equivalent in the Jurisdiction and each of the Passport Jurisdictions other than the Yukon Territory, the Northwest Territories and Nunavut and, to its knowledge, is not in default of securities legislation in any jurisdiction in Canada.

Caribbean Utilities Company, Ltd.

13. Caribbean Utilities Company, Ltd. ("**CUC**") is an integrated electric utility incorporated under the laws of the Cayman Islands. The head office of CUC is located in Grand Cayman, Cayman Islands.

14. CUC is a reporting issuer or equivalent in the Jurisdiction and each of the Passport Jurisdictions other than the Yukon Territory, the Northwest Territories and Nunavut and, to its knowledge, is not in default of securities legislation in any jurisdiction in Canada.

General

15. As 'qualifying entities' for the purposes of section 5.4 of NI 52-107, each of the Filers is permitted by that provision to prepare their financial statements for Fiscal 2011 in accordance with Canadian GAAP - Part V of the Handbook.

16. Each of the Filers has been granted exemptive relief pursuant to the legislation in *Re Fortis Inc., on Behalf of Itself and FortisBC Holdings Inc., FortisBC Energy Inc., FortisBC Inc., FortisAlberta Inc., Newfoundland Power Inc. and Caribbean Utilities Company, Ltd.*, (2011) 34 OSCB 6705 (the "**U.S. GAAP Relief**"), which exempts the Filers from the requirement of section 3.2 of NI 52-107 that they prepare their financial statements in accordance with Canadian GAAP applicable to publicly accountable enterprises and allows the Filers to prepare their financial statements in accordance with U.S. GAAP for the financial years that begin on or after January 1, 2012 but before January 1, 2015. None of the Filers is, will become or will be deemed to be an "SEC issuer", as defined in NI 52-107, as a result of the U.S. GAAP Relief.

17. Part 3 of NI 52-107 (which will apply to the Filers commencing on January 1, 2012, as modified by the U.S. GAAP Relief) does not require any U.S. GAAP financial statements to contain a reconciliation that would describe the differences between Canadian GAAP and U.S. GAAP (such as the disclosure required under section 4.7 of NI 52-107 for financial years beginning before January 1, 2011, or in the case of a "qualifying entity" pursuant to section 5.4 of NI 52-107, January 1, 2012).

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.

18. The decision of the Principal Regulator under the Legislation is that the Exemption Sought is granted provided that:

    (a) the U.S. GAAP comparative annual audited financial statements of each Filer for Fiscal 2011 are filed subsequent to the filing of the Canadian GAAP annual audited financial statements for Fiscal 2011 of such Filer and prior to the filing by such Filer of its unaudited interim financial statements as at and for the three months ended March 31, 2012, which will be prepared in accordance with U.S. GAAP;

    (b) the U.S. GAAP comparative annual audited financial statements of each Filer for Fiscal 2011 contain all of the information which would have been required by subsections (a) and (b) of section 4.7(1) of NI 52-107, if such sections are read as requiring only one set of reconciled annual financial statements; and

    (c) the U.S. GAAP audited financial statements of each Filer are filed on SEDAR under the "Other" documents category with an explanatory cover note.

DATED at Toronto, this 20th day of September 2011

"Cameron McInnis"
Chief Accountant
Ontario Securities Commission

2.1.12 Goodman & Company, Investment Counsel Ltd. et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – variation of previously granted relief that permitted a mutual fund that invests primarily in the energy sector to invest in standardized futures with underlying interests in oil and natural gas for hedging and non-hedging purposes – relief to permit standardized futures to be purchased on the NYMEX or ICE Futures Europe – the standardized future is traded only for cash or an offsetting standardized future contract and the standardized future is sold at least one day prior to the date on which delivery of the underlying commodity is due under the standardized future – relief is subject to limits on investments in the standardized futures for both hedging and non-hedging purposes – National Instrument 81-102 Mutual Funds.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 2.3(h), 19.1.

September 19, 2011

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
GOODMAN & COMPANY,
INVESTMENT COUNSEL LTD.
(the "Filer")

AND

IN THE MATTER OF
DYNAMIC STRATEGIC ENERGY CLASS
(PREVIOUSLY DYNAMIC GLOBAL ENERGY CLASS)
(the "Fund")

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the Fund of which the Filer is the manager and adviser and to which National Instrument 81-102 *Mutual Funds* ("**NI 81-102**") applies for a decision under the securities legislation of the Jurisdiction of the principal regulator ("**Legislation**"):

(i) exempting the Fund from section 2.3(h) of NI 81-102 to enable the Fund to invest in standardized futures (as such term is defined in section 1.1 of NI 81-102) with underlying interests in sweet crude oil or natural gas, for hedging and non-hedging purposes, to reduce volatility in the Fund's portfolio, when and to the extent the Filer is concerned about the volatility of securities in the oil and gas sector; and

(ii) revoking the Original Decision (as defined below);

(together, the "**Exemption Sought**").

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

(a) the Ontario Securities Commission (the "**OSC**") is the principal regulator for this application, and

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

Interpretation

Terms defined in 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. References to "oil" and "gas" in this application are to sweet crude oil and natural gas, respectively.

Representations

1. The Filer is a corporation existing under the laws of the Province of Ontario, is registered with the OSC as an adviser in the category of portfolio manager, is further registered in that category in each of British Columbia, Alberta, Manitoba, Saskatchewan, Quebec, New Brunswick, Nova Scotia and Prince Edward Island and is registered as a commodity trading manager and investment fund manager with the OSC.

2. The Fund is an open-end mutual fund. The Fund is a class of the Dynamic Global Fund Corporation, a mutual fund corporation existing under the laws of the Province of Ontario, and is one of the group of Dynamic Funds managed by the Filer.

3. The securities of the Fund are qualified for distribution in each of the Jurisdictions pursuant to a simplified prospectus (the "**Prospectus**") and annual information form (the "**Annual Information Form**") that have been prepared and filed in accordance with the securities legislation of the respective Jurisdictions. The Fund is, accordingly, a reporting issuer in all of the Jurisdictions.

4. Neither the Filer nor the Fund is in default of securities legislation in any of the Jurisdictions.

5. Pursuant to a decision of the principal regulator *In the Matter of Goodman & Company, Investment Counsel Ltd. and Dynamic Global Energy Class* dated March 22, 2011 (the "**Original Decision**"), the Fund received exemptive relief from the prohibition in section 2.3(h) of NI 81-102 to enable the Fund to invest in standardized futures with underlying interests in sweet crude oil or natural gas, for hedging and non-hedging purposes, subject to certain conditions, including that such purchases be made on the New York Mercantile Exchange (the "**NYMEX**").

6. The investment objectives and investment strategies of the Fund permit portfolio investments in oil and gas securities, and the use of derivatives to hedge against losses from changes in the prices of the Fund's investments and to gain exposure to individual securities and markets and/or to generate income.

7. The prices of oil and gas can be volatile, and the Filer has determined that it would be in the best interests of the Fund and its securityholders for the Filer to have the ability to implement appropriate risk management and diversification strategies for the Fund in connection with price fluctuations and volatility in securities of issuers in the oil and gas sector.

8. The Filer considered a number of alternative strategies for risk management and portfolio diversification with respect to the prices of oil and gas, and has determined that the use of standardized futures contracts where the underlying interests are oil and gas, for hedging and non-hedging purposes, primarily as a means of reducing the volatility that can result from the changing prices of securities of issuers in the oil and gas sector is optimal from a number of perspectives including in respect of liquidity, cost, complexity and diversification.

9. Pursuant to the Original Decision, the Fund was permitted to trade in standardized futures contracts on the NYMEX. The Filer has determined that the Brent and West Texas Intermediate crude futures contracts traded on the ICE Futures Europe ("**ICE Europe**") represent the world's leading sweet crude oil pricing benchmarks because ICE Europe's trading volume in such contracts represents a significant amount of the global supply of such commodities. Accordingly, the Filer now wishes to be able to trade standardized futures on the NYMEX and ICE Europe.

10. ICE Europe is a London-based futures exchange which hosts approximately half of the world's daily

trade in crude and refined oil futures contracts. ICE Europe is subject to the supervision of the United Kingdom's Financial Services Authority.

11. The standardized futures traded by the Fund on the NYMEX and ICE Europe will be traded for cash or an offsetting contract to satisfy the Fund's obligations in a standardized future.

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 purchases, uses and sales of standardized futures which have underlying interests in oil or gas are made in accordance with the provisions otherwise relating to the use of specified derivatives for hedging and non-hedging purposes in NI 81-102, National Instrument 81-101 *Mutual Fund Prospectus Disclosure* and National Instrument 81-106 *Investment Fund Continuous Disclosure*;

(b) a standardized futures contract will be traded only for cash or an offsetting standardized future contract to satisfy the obligations under the standardized future and will be sold at least one day prior to the date on which delivery of the underlying commodity is due under the standardized future;

(c) the purchase of a standardized future will be effected through the NYMEX or ICE Europe;

(d) the Fund will not purchase a standardized futures contract for hedging purposes if, immediately following the purchase, the Fund would hold standardized futures contracts for hedging purposes relating to barrels of oil and/or British Thermal Units of gas representing an aggregate value that exceeds 80% of the total net assets of the Fund at that time;

(e) the Fund will not purchase a standardized futures contract for non-hedging purposes if, immediately following the purchase, the Fund would hold standardized futures contracts for non-hedging purposes relating to barrels of oil and/or British Thermal Units of gas representing an aggregate value that exceeds 10% of the total net assets of the Fund at that time;

(f) the Fund will keep proper books and records of all such purchases and sales; and

(g) prior to commencing trades of standardized future contracts on ICE Europe, the Filer will prepare and file an amendment to the Prospectus and Annual Information Form to disclose that trades in standardized futures may be made through ICE Europe.

"Raymond Chan"
Manager, Investment Funds Branch
Ontario Securities Commission

2.2 Orders

2.2.1 Bernard Boily – Pre-Hearing Conference – Rule 6.7

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

AND

IN THE MATTER OF
BERNARD BOILY

ORDER
(Pre-Hearing Conference – Rule 6.7)

WHEREAS the Ontario Securities Commission (the "Commission") issued a Notice of Hearing and Staff of the Commission ("Staff") filed a Statement of Allegations in this matter on March 29, 2011 against Bernard Boily (the "Respondent");

AND WHEREAS on April 28, 2011, the Commission ordered that the matter be adjourned to June 29, 2011;

AND WHEREAS on July 5, 2011, the Commission ordered that the matter be adjourned to a confidential pre-hearing conference to be held on September 13, 2011 and that the following dates be reserved for the hearing on the merits in this matter: April 2, 3, 4, 5, 9, 11, 12, 13, 16, 17, 18, 19, 20, 23, 25, 26 and 27, 2012;

AND WHEREAS on September 13, 2011, counsel for Staff and the Respondent appeared before the Commission for a pre-hearing conference;

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

IT IS ORDERED that this matter is adjourned to a confidential pre-hearing conference to be held on November 10, 2011 at 10:00 a.m.;

IT IS FURTHER ORDERED that the hearing on the merits shall commence on April 2, 2012 at 10:00 a.m. at the offices of the Commission, 20 Queen Street West, 17th Floor, Toronto, Ontario and shall continue on the following dates: April 3, 4, 5, 9, 11, 12, 13, 16, 17, 18, 19, 20, 23, 25, 26 and 27, 2012.

DATED at Toronto this 13th day of September, 2011.

"Vern Krishna"

2.2.2 Anthony Ianno and Saverio Manzo

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

AND

IN THE MATTER OF
ANTHONY IANNO AND SAVERIO MANZO

AND

IN THE MATTER OF
SETTLEMENT AGREEMENT BETWEEN STAFF OF
THE ONTARIO SECURITIES COMMISSION AND
SAVERIO MANZO

ORDER

WHEREAS on March 8, 2010 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing and Statement of Allegations in this matter pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c S.5, as amended;

AND WHEREAS the Respondent Saverio Manzo ("Manzo") entered into a Settlement Agreement with Staff of the Commission dated September 13, 2011 in relation to the matters set out in the Statement of Allegations (the "Settlement Agreement");

AND WHEREAS the Commission issued a Notice of Hearing on September 13, 2011 announcing that it proposed to consider the Settlement Agreement ;

UPON reviewing the Settlement Agreement, the Notice of Hearing and the Statement of Allegations, and upon hearing submissions from counsel for Staff of the Commission and counsel for Manzo;

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

IT IS ORDERED THAT:

1. The Settlement Agreement is approved.

2. Trading in any securities by Manzo shall cease for a period of 4 years commencing on the date of this Order.

3. Acquisition of any securities by Manzo is prohibited for a period of 4 years commencing on the date of this Order.

4. Any exemptions contained in Ontario securities law do not apply to Manzo for a period of 4 years commencing on the date of this Order.

5. Paragraphs 2, 3 and 4 are subject to the exception that Manzo is permitted to transfer within 60 days of the date of this Order to, and trade through, any registered retirement savings account and/or a registered retirement income fund (as defined in the *Income Tax Act* (Canada)) in which Manzo has sole legal and beneficial ownership provided that:

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

   (b) Manzo does not own legally or beneficially (in the aggregate, together or with others) more than one percent of the outstanding securities of the class or series of the class in question; and

   (c) Manzo carries out any trading through a registered dealer (which dealer must be given a copy of this Order) and through accounts opened in Manzo's name only.

6. Manzo is reprimanded.

7. Manzo is prohibited from becoming or acting as a director or officer of a reporting issuer for a period of 4 years from the date of this Order.

8. Manzo is prohibited from becoming or acting as a registrant for a period of 4 years from the date of this Order.

9. Manzo is prohibited from becoming or acting as a promoter for a period of 4 years from the date of this Order.

10. Subject to the terms of the Settlement Agreement, Manzo agrees to make a voluntary payment of $25,000 to the Commission for the benefit of third parties, and a payment of $25,000 to the Commission representing a partial repayment of the costs of the investigation of this matter.

11. In the event that the payments set out in paragraph 10 are not made in full, the provisions of paragraphs 2 through 9 shall continue in force until such payments are made in full without any limitation as to the time period.

DATED at Toronto this 14th day of September, 2011.

"James Turner"

2.2.3 Anthony Ianno and Saverio Manzo

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

AND

IN THE MATTER OF
ANTHONY IANNO AND SAVERIO MANZO

ORDER

WHEREAS on March 8, 2010, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing and Statement of Allegations in this matter pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended;

AND WHEREAS on September 2, 2011, the Commission approved a Settlement Agreement reached with the Respondent Anthony Ianno;

AND WHEREAS on September 14, 2011, the Commission approved a Settlement Agreement reached with the Respondent Saverio Manzo;

IT IS ORDERED THAT:

1. The hearing dates in this matter currently set for September 12, 14, 15, 16, 19, 20, 21, 22, 23, 26 and 28, 2011 are vacated.

DATED at Toronto this 14th day of September, 2011.

"James E. A. Turner"

2.2.4 Ian Overton – ss. 127(1), 127.1

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

AND

IN THE MATTER OF
IAN OVERTON

ORDER
(Sections 127(1) and 127.1)

WHEREAS 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") in respect of Ian Overton (the "Respondent");

AND WHEREAS the Respondent and Staff of the Commission ("Staff") entered into a Settlement Agreement (the "Settlement Agreement") in which they agreed to a settlement of the proceeding commenced by a Notice of Hearing subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and upon hearing submissions from counsel for Staff and counsel for the Respondent;

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

IT IS ORDERED THAT:

1. the Settlement Agreement is approved;

2. pursuant to paragraph 127(1)1 of the Act, the Respondent is prohibited from being registered under the Act in any capacity for one year and until the Respondent completes all proficiency requirements and the Conduct and Practices Handbook Course (the "CPH") and upon such registration, the Respondent will be subject to close supervision for 6 months;

3. pursuant to section 127(1)2 of the Act, the Respondent will cease trading in securities for one year except for trading on his own behalf in his own account or in the account of his holding company, Loudon Hill Inc.;

4. pursuant to section 127(1)2.1 of the Act, the Respondent is prohibited from acquiring securities for one year except on his own behalf in his own account or in the account of his holding company, Loudon Hill Inc;

5. pursuant to section 127(1)3 of the Act, any exemptions contained in Ontario securities law do not apply to the Respondent for one year except as permitted under this order respecting the trading of securities on his own behalf in his own account or in the account of his holding company, Loudon hill Inc.;

6. pursuant to section 127(1)6 of the Act, the Respondent is reprimanded;

7. pursuant to section 127(1)7 of the Act, with the exception of any position he holds as a director or officer in his holding company, Loudon Hill Inc., the Respondent resign any positions he holds as a director or as a chief executive officer, a chief operating officer or a president of any issuer;

8. pursuant to section 127(1)8 of the Act, with the exception of any position he holds as a director or officer in his holding company, Loudon Hill Inc., the Respondent is prohibited from becoming or acting as a director or as a chief executive officer, a chief operating officer or a president of any issuer for three years;

9. pursuant to section 127(1)8.1 of the Act, the Respondent resign any position he holds as a director or as an ultimate designated person or as a chief compliance officer of a registrant;

10. pursuant to section 127(1)8.2 of the Act, the Respondent is prohibited from becoming or acting as a director or as an ultimate designated person or a chief compliance officer of a registrant for three years and until he completes the PDO exam as defined in Part 3.1 of National Instrument 31-103 the ("PDO exam");

11. pursuant to section 127(1)8.3 of the Act, the Respondent resign any position he holds as a director or as an ultimate designated person or a chief compliance officer of an investment fund manager;

12. pursuant to section 127(1)8.4 of the Act, the Respondent is prohibited from becoming or acting as a director or as an ultimate designated person or a chief compliance officer of an investment fund manager for three years and until he completes the PDO exam;

13. pursuant to section 127)(1)8.5 of the Act, the Respondent is prohibited from becoming or acting as an investment fund manager for three years or a promoter for one year;

14. pursuant to section 127(1)9 of the Act, the Respondent pay an administrative penalty of $10,000 to be allocated under section 3.4(2)(b) of the Act to or for the benefit of third parties; and

15. pursuant to section 127.1 of the Act, the Respondent pay a portion of the costs of the Commission's investigation in the amount of $15,000.

DATED at Toronto this 14th day of September, 2011.

"James E. A. Turner"

2.2.5 Canadian Derivatives Clearing Corporation and Sino-Forest Corporation et al. – s. 144

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

AND

IN THE MATTER OF
CANADIAN DERIVATIVES CLEARING CORPORATION

AND

IN THE MATTER OF
SINO-FOREST CORPORATION, ALLEN CHAN,
ALBERT IP, ALFRED C.T. HUNG, GEORGE HO AND
SIMON YEUNG

ORDER
(Section 144)

WHEREAS the securities of Sino-Forest Corporation (the "Issuer") currently are subject to a temporary cease trade order made by the Chair exercising the powers of the Commission, pursuant to paragraph 2 of subsection 127(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), on August 26, 2011, and extended until January 25, 2012 pursuant to subsections 127(7) and (8) of the Act (the "Cease Trade Order"), that trading in securities of the Issuer cease;

AND WHEREAS the Cease Trade Order was made based on allegations that, among other things, the Issuer and certain of its officers and directors provided information to the public in documents required to be filed or furnished under Ontario securities laws that may have been false or misleading in a material respect, contrary to the Act;

AND WHEREAS Canadian Derivatives Clearing Corporation ("CDCC") has made an application pursuant to section 144 of the Act for an order varying the Cease Trade Order in order to allow the holders of outstanding put contracts, issued and cleared by CDCC, and providing for the sale of common shares of the Issuer (the "Put Contracts"), to exercise their rights to sell common shares of the Issuer pursuant to the terms of the Put Contracts, to permit the sellers of the Put Contracts to perform their obligations to purchase common shares of the Issuer pursuant to the terms of the Put Contracts, and to permit CDCC and each of its member firms to perform their obligations under the Rules of CDCC in connection with the exercise and performance of such Put Contracts, including all requisite acts in furtherance thereof;

AND UPON CDCC having represented to the Commission as follows:

1. The Issuer is a federally incorporated corporation having its head office in the Province of Ontario and, up until August 26, 2011, the Issuer had its shares listed for trading on the Toronto Stock Exchange. The Issuer is a reporting issuer under the Act.

2. The applicant, CDCC, is a federally incorporated corporation which acts as the central clearing counterparty for exchange-traded derivative products (options and futures) in Canada. CDCC is the issuer of and clearinghouse for the Put Contracts which were traded on the Montreal Exchange prior to the imposition of the Cease Trade Order.

3. There are approximately 8,993 outstanding Put Contracts which collectively provide for the sale and purchase of approximately 899,300 common shares of the Issuer.

4. As long as the Cease Trade Order remains in place, holders of the outstanding Put Contracts are unable to exercise their rights to sell common shares of the Issuer, the sellers of such Put Contracts are unable to perform their obligations under the Put Contracts and CDCC and its member firms may be precluded from performing their obligations under the Rules of CDCC in respect of the exercise of the Put Contracts as they may be required to take acts in furtherance of the trades by holders and sellers of the Put Contracts upon their exercise.

5. On or about September 9, 2011, CDCC notified its members and asked its members to notify affected clients that CDCC was making application to the Commission to allow the exercise of the Put Contracts and that interested parties, and in particular, writers and holders of the Put Contracts, were invited to make written submissions to CDCC, with a copy to the Commission, with respect to whether CDCC's application should be granted. The notice also advised members that the order sought may include a condition that limits the relief to holders of outstanding Put Contracts who are not current or former members of management or other insiders of the Issuer.

6. CDCC will promptly, following the making of this order, notify its members and ask its members to notify affected clients of the fact that this order will permit the exercise of outstanding Put Contracts but (i) will not permit holders of Put Contracts who do not own common shares of the Issuer to purchase such shares in order to make good delivery upon exercise, and (ii) will not permit holders of Put Contracts who are (a) current or former directors or officers of the Issuer or its subsidiaries, or (b) the beneficial owner of, or person who exercises control or direction over, more than 10% of the outstanding common shares of the Issuer and who has nominated or designated any member of the board of directors of the Issuer or who serves (or whose officers or directors serve) as a director or officer of the Issuer, to sell common shares of the Issuer under Put Contracts.

7. Any CDCC member that owns or acts as agent for a person entitled to exercise a Put Option will be required to furnish an affidavit to CDCC and the Commission setting out the terms of the particular contract and confirming the facts in paragraph 6(ii) above.

AND WHEREAS CDCC has broad discretion under the CDCC Rules, subject to the terms of the Cease Trade Order, to address the position of holders of Put Contracts who do not currently own common shares of the Issuer;

AND WHEREAS we have considered the submissions of CDCC and Staff of the Commission and the rationale for the Cease Trade Order, and have concluded that the issue of this order, to the extent reasonably possible, balances a number of competing interests in all the circumstances, and achieves the objective of preserving the integrity of the capital markets;

AND WHEREAS we are satisfied that it would not be prejudicial to the public interest to make this order;

IT IS ORDERED, pursuant to section 144 of the Act, that the Cease Trade Order is hereby varied solely to permit (a) the holders of outstanding Put Contracts issued and cleared by CDCC to exercise their Put Contracts, whether or not such holder is a person described in paragraph 6(i) or 6(ii); (b) the holders of the Put Contracts to sell common shares of the Issuer under the terms of the Put Contracts; (c) the sellers of such Put Contracts to perform their obligations to purchase common shares of the Issuer under the terms of the Put Contracts; and (d) CDCC and its members to carry out their respective obligations under the Rules of CDCC, including all requisite acts in furtherance of the trades described in (a), (b) and (c), provided that this order shall not apply to permit the sale of Issuer common shares by a person described in paragraph 6(i) who does not currently own common shares, or who is an insider or other person described in paragraph 6(ii), and provided further that the Cease Trade Order shall otherwise remain in effect, unamended except as expressly provided in this order.

Dated at Toronto, Ontario this 15th day of September, 2011.

“Mary G. Condon”

“James E. A. Turner”

“Sinan O. Akdeniz”

2.2.6 Normand Gauthier et al. – s. 127

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

AND

IN THE MATTER OF
NORMAND GAUTHIER,
GENTREE ASSET MANAGEMENT INC.,
R.E.A.L. GROUP FUND III (CANADA) LP, AND
CANPRO INCOME FUND I, LP

ORDER
(Section 127)

WHEREAS on August 15, 2011, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing for the Commission to consider whether, in the opinion of the Commission, it was in the public interest, pursuant to subsections 127(1), (4), (5), (6), (7) and (8) of the Ontario *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), for the Commission to issue a temporary order against the Respondents;

AND WHEREAS on August 17, 2011, on consent of Staff and the Respondents, the Commission ordered, pursuant to section 127 of the Act (the "Temporary Order") that:

1) pursuant to subsection 127(1)1 of the Act, the registration of Gentree as a dealer in the category of exempt market dealer be suspended;

2) pursuant to subsection 127(1)2 of the Act, all trading in securities of Gentree, R.E.A.L. and CanPro cease;

3) pursuant to subsection 127(1)3 of the Act, all exemptions contained in Ontario securities law do not apply to the Respondents;

4) pursuant to subsection 127(2) of the Act, the following terms and conditions apply to the Respondents and any other related or connected issuers:

   i. Gauthier may not solicit, raise, or accept any funds or capital from investors;

   ii. no issuer or registrant related to or connected to Gauthier, including but not limited to Gentree, R.E.A.L. Group Fund III (Canada) LP or CanPro Income Fund I, LP may solicit, raise, or accept any funds or capital from investors;

   iii. Gauthier and Gentree may not perform any trades involving any related and/or connected issuer;

   iv. Gentree may not assume any new clients of any kind; and

   v. no issuer related to or connected to Gauthier may transfer any funds to Gauthier or any person or entity related to or connected to Gauthier;

AND WHEREAS on August 17, 2011, the Commission further ordered that:

1) the Temporary Order shall remain in effect until such further order of the Commission; and

2) the hearing be adjourned to a date no later than August 29, 2011, such date to be agreed to by the parties and fixed by the Office of the Secretary for a hearing or for such other purposes as may be requested;

AND WHEREAS on August 29, 2011, on consent of Staff and the Respondents, the Commission ordered, pursuant to section 127 of the Act that:

1) the Temporary Order shall remain in effect until such further order of the Commission; and

2) the hearing is adjourned to September 8, 2011 at 1:00 p.m. or to such other date or time to be agreed to by the parties and arranged through the Office of the Secretary for a hearing or for such other purposes as may be requested;

AND WHEREAS on September 8, 2011, Staff and the Respondents agreed in writing to adjourn this matter to September 15, 2011 at 10:00 a.m, and on consent of Staff and the Respondents, the Commission ordered, pursuant to section 127 of the Act that:

1) the Temporary Order shall remain in effect until such further order of the Commission; and

2) the hearing is adjourned to September 15, 2011 at 10:00 a.m. or to such other date or time as may be agreed to by the parties and arranged through the Office of the Secretary for a hearing or for such other purposes as may be requested;

AND WHEREAS on September 15, 2011, Staff and counsel for the Respondents appeared before the Commission and advised that they consented to the making of this order;

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

IT IS HEREBY ORDERED, pursuant to section 127 of the Act that:

1) the Temporary Order shall remain in effect until such further order of the Commission; and

2) the hearing is adjourned to September 26, 2011 at 10:00 a.m. or to such other date or time as may be agreed to by the parties and arranged through the Office of the Secretary for a hearing or for such other purposes as may be requested.

DATED at Toronto this 15h day of September, 2011.

"James E. A. Turner"

2.2.7 Zungui Haixi Corporation – ss. 127(1), 127(5)

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

AND

IN THE MATTER OF
ZUNGUI HAIXI CORPORATION

TEMPORARY ORDER
(Subsections 127(1) & (5))

WHEREAS it appears to the Ontario Securities Commission (the "Commission") that:

1. Zungui Haixi Corporation ("Zungui") is a publicly traded company incorporated pursuant to the laws of Ontario and a "reporting issuer" in Ontario, as that term is defined in section 1(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act");

2. Zungui completed its initial public offering by way of a prospectus dated December 11, 2009 on December 21, 2009 raising gross proceeds of $39.8 million;

3. Substantially all of Zungui's assets and the books and records relevant to these assets, the controlling shareholder (who is also the Chairman), the Chief Executive Officer and the Chief Operating Officer are located in China;

4. Zungui is a holding company and conducts substantially all of its business through its subsidiaries, including Mengshida Shoes Co., Ltd. ("Mengshida") which generates substantially all of Zungui's revenues;

5. Zungui owns 100% of the operating entity Mengshida, through its wholly-owned holding companies;

6. Mengshida's business involves the manufacture and sale of athletic and casual footwear, apparel and accessories, to the Chinese market. Mengshida's head office and all its operations are located in China;

7. Zungui maintains an administrative office in Toronto for its Chief Financial Officer and a Financial Controller. Zungui has four independent directors, all of whom reside in Ontario;

8. On August 22, 2011, Zungui issued a press release announcing that Zungui's auditor, Ernst & Young LLP (Ernst & Young), has suspended procedures with respect to the audit of Zungui's financial statements for the year ended June 30, 2011 pending further action from Zungui. The press release notes that Ernst & Young's suspension of audit procedures will remain in place until Zungui clarifies and substantiates its position with respect to issues pertaining to the current and prior year which Ernst & Young identified in the course of Ernst & Young's audit work, and that Ernst & Young recommended that the issues identified be addressed by an independent investigation;

9. On August 24, 2011, Zungui filed a material change report in respect of the events described in the August 22, 2011 press release;

10. On September 16, 2011, Zungui issued a further press release which provided that "[t]he concerns raised by Ernst & Young relate in part to inconsistencies in bank documents and the inability to obtain bank confirmations in a manner acceptable to the auditors. The bank balances are one of the largest items on the balance sheet. In addition, Ernst & Young identified issues as to incorrect VAT invoices supporting purchases from certain of the Company's suppliers.";

11. In the September 16, 2011 press release, Zungui also announced the creation of a Special Committee of the Board of Directors (the "Special Committee") and that the Special Committee has sought the cooperation and assistance of Yanda Cai, the CEO and a director of Zungui, but that "[i]t is not clear whether such cooperation or the funding necessary for the Special Committee to undertake its investigation will be forthcoming and the Special Committee is considering alternative courses of action.";

12. Cash consistently represents a substantial portion of Zungui's assets. Based on the most recently filed financial statements for the interim period ended March 31, 2011, Zungui had $65.3 million of cash representing approximately 52% of Zungui's assets;

AND WHEREAS the Commission is of the opinion that the time required to conclude a hearing could be prejudicial to the public interest as set out in section 127(5) of the Act;

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

AND WHEREAS by Authorization Order made July 14, 2011, pursuant to subsection 3.5(3) of the Act, each of Howard I. Wetston, James E. A. Turner, Kevin J. Kelly, James D. Carnwath, Mary G. Condon, Paulette L. Kennedy, Vern Krishna, Christopher Portner and Edward P. Kerwin, acting alone, is authorized to exercise the powers of the Commission under the Act, subject to subsection 3.5(4) of the Act, to make orders under section 127 of the Act;

IT IS HEREBY ORDERED that, pursuant to paragraph 2 of section 127(1) of the Act, all trading in the securities of Zungui, whether direct or indirect, shall cease;

IT IS FURTHER ORDERED that, pursuant to section 127(6) of the Act, this order shall take effect immediately and shall expire on the fifteenth day after its making unless extended by order of the Commission.

DATED at Toronto this 16th day of September, 2011.

"James Turner"
Vice-Chair

2.2.8 Outlook Resources Inc. – s. 144

Headnote

Section 144 – application for variation of cease trade order – issuer cease traded due to failure to file with the Commission annual financial statements – issuer has applied for a variation of the cease trade order to permit the issuer to proceed with a Plan of Arrangement under the Companies' Creditors Arrangement Act – partial revocation granted subject to conditions.

Applicable Legislative Provisions

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

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

AND

IN THE MATTER OF
OUTLOOK RESOURCES INC.

ORDER
(Section 144)

WHEREAS the securities of Outlook Resources Inc. (the "**Applicant**") are subject to a temporary cease trade order made by the Director dated April 4, 2011 under paragraph 2 of subsection 127(1) and subsection 127(5) of the Act and a further cease trade order issued by the Director dated April 15, 2011 pursuant to subsection 127(1) of the Act (together, the "**Cease Trade Order**") directing that all trading in securities of the Applicant, whether direct or indirect, cease until the Cease Trade Order is revoked;

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

AND WHEREAS the Applicant has represented to the Commission that:

1. The Applicant was incorporated pursuant to the *Business Corporations Act* (Ontario) on December 18, 1984 under the name Hyball Explorations Inc. Articles of Amendment, changing the name to Findore Minerals Inc., were filed on April 22, 1986. Articles of Amendment, changing the name to Cantex Energy Inc. and the minimum and maximum number of directors, were filed on December 17, 1997. Articles of Amendment, changing the name to Outlook Resources Inc. and the authorized capital, were filed on December 6, 2000.

2. The Applicant's registered and head office is located at 40 King Street West, Suite 3100, Toronto, Ontario, M5H 3Y2.

3. The Applicant is a reporting issuer in Ontario, Alberta and British Columbia.

4. As of the date hereof, the authorized capital of the Applicant consists of an unlimited number of common shares (the "**Common Shares**") of which 207,481,977 are issued and outstanding. There are also 57,915,000 outstanding warrants, broker warrants and compensation options, 17,290,000 of which entitle the holder to purchase a Common Share at $0.10 until October 30, 2011, 4,625,000 of which entitle the holder to purchase a Common Share at $0.10 until November 2, 2011, and 36,000,000 of which entitle the holder to purchase a Common Share at $0.10 until December 15, 2012.

5. The Applicant does not have any securities listed or quoted on any exchange or market in Canada or elsewhere, other than the Common Shares which are suspended from trading on the NEX board of the TSX Venture Exchange ("**TSXV**") under the symbol "OLR.H".

6. The Cease Trade Order was issued by the Commission as a result of the Applicant's failure to file its audited annual financial statements, management's discussion and analysis, and certification of annual filings for the fiscal year ended November 30, 2010 within the time prescribed by securities legislation (collectively, the "**2010 Annual Filings**").

7. The failure to file the 2010 Annual Filings arose as a consequence of financial hardship following which the Applicant was unable to pay the fees of various service providers, including its auditors.

8. In addition to the 2010 Annual Filings, the Applicant has subsequently failed to file its interim unaudited financial statements, interim management's discussion and analysis, and certification of interim filings, for the interim period ended February 28, 2011 and the interim period ended May 31, 2011 (together with the 2010 Annual Filings, the "**Financial Disclosures**").

9. The Applicant is also subject to a cease trade order issued by the British Columbia Securities Commission ("**BCSC**") dated April 7, 2011 and a cease trade order by the Alberta Securities Commission ("**ASC**") dated July 14, 2011. The Applicant is concurrently applying to the BCSC for a partial revocation of the cease trade order issued in that jurisdiction.

10. The Applicant is seeking to effect a private placement of convertible securities (the "**Financing**") to raise up to $1 million to enable the Applicant to bring itself into compliance with its continuous disclosure obligations and to fund expenses as more particularly outlined below. The Financing will be conducted on a prospectus exempt basis with subscribers who are accredited investors (as such term is defined in National Instrument 45-106 *Prospectus and Registration Exemptions*) resident in Canada (each a "**Potential Investor**"). The Financing will entail a private placement of convertible debentures (the "**Securities**") for aggregate proceeds of up to $1 million on terms that will be negotiated with the subscribers who are interested in participating in the Financing.

11. If a related party participates in the Financing, the Financing would constitute a related party transaction within the meaning of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") and the Applicant intends to rely on the financial hardship exemption under MI 61-101.

12. The Applicant has been in negotiations with Climate Change Infrastructure Corporation ("**CCIC**"), a private holding company and a financial solution provider focused on the low-carbon, water constrained, alternative energy and efficiency marketplace, for over six (6) months to work out a deal involving the merger of the Applicant with CCIC on some business terms. It is anticipated that through a merger on some basis, CCIC will effect a reverse takeover of the Applicant (the "**CCIC Transaction**"). The CCIC Transaction will be dependent upon the Applicant raising the Financing and the companies developing their businesses and preparing the appropriate disclosure documentation for delivery to the shareholders of the Applicant for approval of the CCIC Transaction.

13. The following is a breakdown of the use of proceeds of the Financing based upon raising up to $500,000 and up to $1,000,000 as follows:

Explanation	**$500,000**	**$1,000,000**
Fees and penalties for late filing of financial disclosures and costs associated with finalizing the Financial Disclosures and the lifting of the Cease Trade Order	$50,000	$50,000
Fees and expenses associated with the Financing and the CCIC Transaction	$140,000	$200,000
Corporate expenses relating to the Applicant for completion of CCIC Transaction	$50,000	$100,000
Corporate expenses of CCIC pending completion of CCIC Transaction	$50,000	$100,000
Advancement of Fertilizer Business, Fish Farm Business and CCIC projects and working capital	$210,000	$550,000

14. The Applicant reasonably believes that the proceeds of the Financing will be sufficient to bring its continuous disclosure obligations up to date and pay all related outstanding fees and provide it with sufficient funds to complete the CCIC Transaction.

15. As the Financing would involve a trade of securities and acts in furtherance of trades, the Financing could not be completed without a partial revocation of the Cease Trade Order. As the CCIC Transaction would involve a trade of securities and acts in furtherance of trades, the CCIC Transaction could not be completed without a partial revocation of the Cease Trade Order.

16. The Financing will be completed in accordance with all applicable laws.

17. Prior to the completion of the Financing and the CCIC Transaction, each Potential Investor resident in Canada and CCIC and its security holders will:

    (a) receive:

i. a copy of the Cease Trade Order; and

ii. a copy of the partial revocation order for which this application has been made; and

(b) provide signed and dated acknowledgements which clearly state that all of the Applicant's securities, including the Securities issued in connection with the Financing and the CCIC Transaction, will remain subject to the Cease Trader Order, and that the issuance of a partial revocation order does not guarantee the issuance of a full revocation order in the future.

18. The Applicant is not in default of any requirements of the Cease Trade Order or the Act or the rules and regulations made pursuant thereto, subject to the deficiencies outlined above.

19. Upon issuance of the partial revocation order, the Applicant will issue a press release announcing the partial revocation order, the intention to complete the Financing and the intention to sign a letter of intent or memorandum of understanding with in respect to the CCIC Transaction. Upon negotiation of the terms of the Financing and completion of the first closing of the Financing, the Applicant will issue a press release and file a material change report. If the terms of the CCIC Transaction can be negotiated, upon execution of a letter of intent or memorandum of understanding, the Applicant will issue a press release and file a material change report.

20. The Applicant intends to file the Financial Disclosures on SEDAR within a reasonable time following the closing of the first tranche of the Financing to bring its continuous disclosure record up to date.

21. Following the filing of the Financial Disclosures, the Applicant intends to apply to the Commission and to the BCSC and the ASC for a full revocation of, respectively, the Cease Trade Order and the cease trade orders detailed above.

22. The Applicant undertakes that it will hold its annual general meeting of shareholders within three (3) months of the date that the Cease Trade Order is revoked in full.

23. The Applicant has undertaken to the Commission that, in the event it convenes a meeting of shareholders within twelve (12) months of the date of this partial revocation order to consider and approve the CCIC Transaction or any transaction involving a reverse takeover, merger, amalgamation or other form of combination of transaction similar to any of the foregoing, the Applicant will deliver to the Commission a copy of the information circular relating to such meeting not less than twenty (20) days prior to the date such information circular is delivered to the shareholders.

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

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

IT IS ORDERED pursuant to section 144 of the Act that the Cease Trade Order be and is hereby partially revoked solely to permit trades and acts in furtherance of trades in securities of the Applicant that are necessary for and in connection with the Financing and the CCIC Transaction, provided that:

(a) prior to the completion of the Financing and the CCIC Transaction, each Potential Investor resident in Canada and CCIC and its security holders will:

i. receive a copy of the Cease Trade Order;

ii. receive a copy of this partial revocation order; and

iii. provide signed and dated acknowledgements which clearly state that all of the Applicant's securities, including the Securities issued in connection with the Financing and the CCIC Transaction, will remain subject to the Cease Trader Order, and that the issuance of a partial revocation order does not guarantee the issuance of a full revocation order in the future.

(b) The Applicant undertakes to make available copies of the written acknowledgements referred to in paragraph (a)iii. to staff of the Commission on request; and

(c) this Order will terminate on the earlier of the closing of the Financing and the CCIC Transaction and 120 days from the date hereof.

DATED at Toronto, Ontario on this 15th day of September, 2011.

"Michael Brown"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.2.9 Maitland Capital Ltd. et al. – s. 127

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

AND

IN THE MATTER OF
MAITLAND CAPITAL LTD., ALLEN GROSSMAN,
HANOCH ULFAN, LEONARD WADDINGHAM,
RON GARNER, GORD VALDE,
MARIANNE HYACINTHE, DIANNA CASSIDY,
RON CATONE, STEVEN LANYS,
ROGER MCKENZIE, TOM MEZINSKI,
WILLIAM ROUSE AND JASON SNOW

ORDER
(Section 127)

WHEREAS on January 24, 2006, the Ontario Securities Commission (the "Commission") ordered pursuant to subsection 127(5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "*Act*") that forthwith for a period of 15 days from the date thereof: (a) all trading by Maitland Capital Ltd. ("Maitland") and its officers, directors, employees and/or agents in securities of Maitland shall cease; (b) the Respondents cease trading in all securities; and (c) any exemptions in Ontario securities law do not apply to the Respondents (the "Temporary Order");

AND WHEREAS pursuant to subsections 127(1) and 127(5) of the *Act,* a hearing was scheduled for February 8, 2006 at 2:00 p.m. (the "Hearing");

AND WHEREAS on February 8, 2006, Staff filed the affidavit of Sabine Dobell sworn February 2, 2006 and the affidavit of Bryan Gourlie sworn November 7, 2005 in support of Staff's request to extend the Temporary Order;

AND WHEREAS on February 28, 2006, the Commission ordered pursuant to subsection 127(7) of the *Act* that: (a) the Hearing be adjourned to April 19, 2006 at 9:30 a.m.; and (b) the Temporary Order be extended until April 19, 2006;

AND WHEREAS on April 19, 2006, the Commission ordered pursuant to subsection 127(7) of the *Act* that: (a) the Hearing be adjourned to May 29, 2006; (b) the Temporary Order is extended until May 29, 2006; and (c) Staff provide disclosure to the Respondents by April 28, 2006;

AND WHEREAS on May 29, 2006, the Commission ordered pursuant to subsection 127(7) of the *Act* that: (a) the Hearing be adjourned to June 28, 2006; and (b) the Temporary Order be extended until June 28, 2006;

AND WHEREAS counsel for Maitland and Allen Grossman ("Grossman"), counsel for Hanoch Ulfan ("Ulfan") and counsel for Steven Lanys did not oppose an extension of the Temporary Order;

AND WHEREAS Tom Mezinski and William Rouse have not appeared although duly served with the Temporary Order, the Notice of Hearing and Statement of Allegations as evidenced by the affidavits of service filed as exhibits in this proceeding;

AND WHEREAS Marianne Hyacinthe appeared before the Commission on February 8, 2006 and received a copy of the Order dated February 8, 2006 but did not appear before the Commission on February 28, 2006, April 19, 2006, May 29, 2006, June 28, 2006 or September 12, 2006 although served with notice of this proceeding;

AND WHEREAS Staff has advised that two Respondents, namely Ron Catone and Jason Snow, have never been located and have never been served in this matter notwithstanding attempts at service as evidenced by the affidavits of attempted service filed as exhibits in this proceeding;

AND WHEREAS on May 19, 2006, the Commission authorized the commencement of a section 122 proceeding in the Ontario Court of Justice against Grossman, Ulfan and Maitland;

AND WHEREAS Maitland, Grossman and Ulfan brought applications returnable September 12, 2006 to adjourn the section 127 proceeding against Grossman, Ulfan and Maitland pending completion of the section 122 proceeding;

AND WHEREAS on September 12, 2006, Ulfan and Grossman undertook not to act as an officer or director of either a reporting issuer or a registrant until the conclusion of the section 127 proceedings and the Commission ordered: (i) the hearing be adjourned until judgment is rendered in the section 122 proceeding; (ii) the Temporary Order be extended until the conclusion of the hearing; and (iii) a hearing be scheduled within four to eight weeks of judgment being rendered in the section 122 proceeding;

AND WHEREAS on March 23, 2011, Justice Sparrow of the Ontario Court of Justice found Grossman, Ulan and Maitland guilty on 10 counts of breaching Ontario securities laws;

AND WHEREAS on May 4, 2011, Justice Sparrow of the Ontario Court of Justice sentenced Grossman and Ulfan each to 21 months in jail and two years of probation for breaches of Ontario securities laws and fined Maitland $1 million;

AND WHEREAS on May 27, 2011, Staff amended the Notice of Hearing and Statement of Allegations to rely upon previous decisions of the Alberta Securities Commission, the Saskatchewan Financial Services Commission and the Ontario Court of Justice involving Maitland and some of the Respondents;

AND WHEREAS all the Respondents except Ulfan, Jason Snow, Ron Catone, William Rouse, Tom Mezinski and Marianne Hyacinthe have been duly served with the Amended Notice of Hearing and Amended Statement of Allegations dated May 27, 2011 as evidenced by the affidavits of service filed in this proceeding;

AND WHEREAS on June 28, 2011, Dianna Cassidy, Ron Garner, counsel for Leonard Waddingham, counsel for Steven Lanys and Staff all appeared before the Commission and Staff provided each of these Respondents with further disclosure (the "Disclosure");

AND WHEREAS on June 28, 2011, the Commission ordered the title of proceeding be amended to change "Hanouch Ulfan" to "Hanoch Ulfan";

AND WHEREAS on June 28, 2011, the Commission ordered the Hearing in respect of Grossman, Ulfan and Maitland to proceed in writing;

AND WHEREAS on June 28, 2011, the Commission ordered the Hearing in respect Leonard Waddingham, Dianna Cassidy and Ron Garner be adjourned to September 2, 2011 at 10:00 a.m. to consider a possible agreed statement of facts and appropriate sanctions;

AND WHEREAS on July 28, 2011, Staff filed written submissions setting out the final Order under subsection 127(10) sought against Grossman, Ulfan and Maitland;

AND WHEREAS on September 2, 2011, Staff filed a Notice of Withdrawal as against Jason Snow, Ron Catone, Roger McKenzie and Marianne Hyacinthe;

AND WHEREAS Staff and counsel for Steve Lanys consented to hearing dates commencing on February 15 and continuing on February 16 and 17, 2012;

AND WHEREAS on September 2, 2011, Staff filed four separate agreed statements of fact and Staff, counsel for Gord Valde and counsel for Leonard Waddingham, Ron Garner and Dianna Cassidy made submissions as to the appropriate sanctions against each of these respondents;

AND WHEREAS the Commission reserved its decision as to the appropriate sanctions to be ordered against each of Gord Valde, Leonard Waddingham, Ron Garner and Dianna Cassidy;

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

IT IS ORDERED that the hearing in respect of Steven Lanys, William Rouse and Tom Mezinski shall commence on February 15 and continue on February 16 and 17, 2012; and

IT IS FURTHER ORDERED that the title of proceeding be amended to change "Diana Cassidy" to "Dianna Cassidy".

DATED at Toronto this 2nd day of September, 2011.

"James E. A. Turner"

2.2.10 FundSERV Inc. – s. 144

Headnote

Application under section 144 of the Securities Act (Ontario) (OSA) to vary and restate the interim order of FundSERV Inc. (FundSERV) to extend its interim exemption, which exempts OCC under section 147 of the OSA on an interim basis from recognition as a clearing agency under subsection 21.2(0.1) of the OSA.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 21.2(0.1), 147, 144

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

AND

IN THE MATTER OF
FUNDSERV INC.

ORDER
(Section 144 of the Act)

WHEREAS the Ontario Securities Commission (Commission) issued an interim order dated March 1, 2011, pursuant to section 147 of the Act, exempting FundSERV Inc. (FundSERV) from the requirement to be recognized as a clearing agency under subsection 21.2(0.1) of the Act ("Interim Order");

AND WHEREAS the Interim Order will terminate on September 1, 2011 unless extended by order of the Commission;

AND WHEREAS FundSERV has filed an application dated August 22, 2011 with the Commission pursuant to section 144 of the Act requesting that the Commission vary and restate the Interim Order;

AND WHEREAS the Commission has determined that it is not prejudicial to the public interest to issue this order that varies and restates the Interim Order;

IT IS ORDERED, pursuant to section 144 of the Act, that the Interim Order be varied and restated as follows:

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

AND

IN THE MATTER OF
FUNDSERV INC.

ORDER
(Section 147 of the Act)

WHEREAS FundSERV Inc. (FundSERV) had filed an application dated February 18, 2011 (February Application) with the Ontario Securities Commission (Commission) pursuant to section 147 of the Act requesting an interim order exempting FundSERV from the requirement to be recognized as a clearing agency under section 21.2 of the Act.

AND WHEREAS the Commission had granted such order dated March 1, 2011(Order);

AND WHEREAS the Order will terminate on September 1, 2011 unless extended by order of the Commission;

AND WHEREAS FundSERV has filed an application dated August 22, 2011 (August Application) with the Commission pursuant to section 144 of the Act requesting that the Commission vary and restate the Order to extend the termination date;

AND WHEREAS FundSERV has represented to the Commission that:

1. FundSERV is a Canadian corporation with its head office located in Toronto, Ontario;

2. FundSERV is a leading provider of electronic business services to the Canadian investment fund industry;

3. FundSERV's core service is to provide the network infrastructure for its customers to place and reconcile orders through efficient, secure data exchange, and, for those who so elect, to enable them to settle orders through a payment exchange handled by the Royal Bank of Canada through the Large-Value Transfer System operated by the Canadian Payments Association;

4. FundSERV operates on a cost-recovery basis, serving more than 700 organizations and their business units and providing online access to over 10,000 investment fund instruments;

5. FundSERV's business model does not involve credit enhancement, the assumption of counter-party risk, novation or custody;

6. While FundSERV has developed robust and reliable business continuity systems, market participants can and do transact without FundSERV's assistance;

7. FundSERV also supports the customer staffed committees and working groups that address issues and develop electronic data and security standards for the industry; and

8. FundSERV is transparent to the industry participants and responsive to any information request from the Commission.

AND WHEREAS subsection 21.2(0.1) of the Act prohibits a clearing agency (as defined in the Act) from carrying on business in Ontario unless it is recognized by the Commission as a clearing agency or exempted by the Commission;

AND WHEREAS FundSERV is in the process of filing a full application to the Commission for a subsequent order (Subsequent Order) exempting FundSERV from the requirement to be recognized as clearing agency under section 147 of the Act or seeking recognition under subsection 21.2(0.1) of the Act;

AND WHEREAS FundSERV has committed to working with Commission staff to complete the final application process in a timely manner;

AND WHEREAS based on the February Application, the August Application and the representations FundSERV has made to the Commission, the Commission has determined that varying the Order would not be prejudicial to the public interest;

IT IS HEREBY ORDERED by the Commission that, pursuant to section 147 of the Act, FundSERV is exempt on an interim basis from recognition as a clearing agency under section 21.2 of the Act;

PROVIDED THAT the Order shall terminate on the earlier of (i) May 1, 2012 or (ii) the effective date of the Subsequent Order.

DATED March 1, 2011, as varied on August 30, 2011

"Paulette L. Kennedy"

"Margot C. Howard"

2.2.11 Peter Beck et al.

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

AND

**IN THE MATTER OF
PETER BECK, SWIFT TRADE INC.
(continued as 7722656 Canada Inc.),
BIREMIS, CORP., OPAL STONE FINANCIAL
SERVICES S.A., BARKA CO. LIMITED,
TRIEME CORPORATION and a limited partnership
referred to as "ANGUILLA LP"**

ORDER

WHEREAS on March 23, 2011, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing and a Statement of Allegations in this matter pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended;

AND WHEREAS on April 13, 2011, Staff and counsel for the Respondents attended before the Commission for a first appearance on this matter, and the Commission ordered that a confidential pre-hearing conference be scheduled through the Office of the Secretary on a date to be agreed to by Staff and counsel for the Respondents, and that the hearing be adjourned to Wednesday, July 20, 2011 at 10:00 a.m., or to such other date as may be agreed to by the parties and fixed by the Office of the Secretary, for the purpose of addressing scheduling and any other procedural matters or for such other purposes as the Panel hearing the matter may determine;

AND WHEREAS on July 19, 2011, the Commission issued a Notice of Hearing setting the matter down to be heard on September 20 and 21, 2011 at 10:00 a.m. to consider whether, in the opinion of the Commission, it is in the public interest for the Commission to issue a Temporary Order pursuant to subsections 127(1), (4), (5), (6), (7) and (8) of the Act;

AND WHEREAS on July 20, 2011, Staff requested that a schedule be set for the hearing for a Temporary Order, and counsel for the Respondents requested that the matter be adjourned in order to allow for the delivery of Staff's materials and for the Respondents to review them and obtain instructions in relation to the relief being sought by Staff;

AND WHEREAS at the request of the Commission, Staff and counsel for the Respondents consulted with respect to dates for the hearing of the application for a Temporary Order and the hearing on the merits, and the Commission ordered that the hearing of the application for the Temporary Order be held on January 18, 19, 20, and 23, 2012, at the Offices of the Commission;

AND WHEREAS the Commission ordered that a confidential pre-hearing conference be held on September 1, 2011 at 11:00 a.m. to address scheduling for the hearing on the merits, and any other matters that Staff and counsel for the Respondents wish to raise;

AND WHEREAS on September 1, 2011, Staff and counsel for the Respondents appeared before the Commission for a pre-hearing conference, and made submissions with respect to a timetable for the hearing for the Temporary Order;

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

IT IS HEREBY ORDERED THAT:

1. The parties are to comply with the following timetable for the delivery of material and other interim steps in respect of the hearing for the Temporary Order, which timetable may be varied on consent of the parties or by further Order of the Commission:

    a. October 11, 2011: The Respondents are to advise of their intent to call expert evidence, the number of experts and the issue(s) to be addressed by the expert(s);

    b. October 17, 2011: The Respondents to deliver responding fact evidence;

    c. October 31, 2011: Staff to deliver reply fact evidence, if any;

d. November 10, 2011: The Respondents to deliver expert evidence, if any;

e. December 12, 2011: Staff to deliver responding expert evidence, if any;

f. December 19, 2011: Staff to deliver its factum;

g. January 9, 2012: Respondents to deliver their factum;

h. January 13, 2012: Staff to deliver its reply factum, if any;

i. January 18-20 and January 23, 2012: Hearing of the application for the Temporary Order;

IT IS FURTHER ORDERED that a confidential pre-hearing conference will take place on September 19, 2011 at 4:00 p.m. to address scheduling for the hearing on the merits, and any other matters that Staff and counsel for the Respondents wish to raise.

DATED at Toronto this 1st day of September, 2011.
"James E. A. Turner"

2.2.12 Petroflow Energy Ltd. – s. 144

Headnote

Section 144 – application for variation of cease trade order – issuer cease traded due to failure to file with the Commission annual financial statements – issuer has applied for a variation of the cease trade order to permit the issuer to proceed with a Plan under Chapter 11 of the United States Bankruptcy Code - partial revocation granted subject to conditions.

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
PETROFLOW ENERGY LTD.

ORDER
(Section 144)

WHEREAS the securities of Petroflow Energy Ltd. (the **Filer**) are subject to a temporary cease trade order issued by the Director on April 21, 2010 pursuant to subsections 127(1) and 127(5) of the Act and a further cease trade order issued by the Director on May 3, 2010 pursuant to subsection 127(1) of the Act (together the **Ontario CTO**), directing that all trading in the securities of the Filer cease until further order by the Director;

AND WHEREAS the Filer has applied to the Ontario Securities Commission (the **Commission**) for an order pursuant to section 144 of the Act (the **Application**) for a partial revocation of the Ontario CTO;

AND WHEREAS the Filer has represented to the Commission that:

The Filer

1. The Filer was continued under the *Canada Business Corporations Act* as Atlantic Gold Mines Limited on July 26, 1994 (and changed its name to Petroflow Energy Ltd. on September 22, 1997).

2. The head office of the Filer is in Tulsa, Oklahoma. Its registered office is in Calgary, Alberta.

3. The Filer is a reporting issuer under the securities legislation of Alberta, British Columbia and Ontario (the **Reporting Jurisdictions**). It is not a reporting issuer in any other jurisdiction in Canada.

4. The Filer is authorized to issue an unlimited number of common shares (**Petroflow Common Shares**) and preferred shares of which 29,549,894 Petroflow Common Shares and no preferred shares are currently issued and outstanding. There are also approximately 11,450,500 stock options to acquire Petroflow Common Shares outstanding. The Filer has no other outstanding securities (including debt securities).

5. The Petroflow Common Shares are held by shareholders in all of the jurisdictions of Canada, the United States and elsewhere.

Business and Operations of The Filer and Its Subsidiaries

6. The assets of the Filer consist almost exclusively of equity interest in its wholly-owned subsidiary, North American Petroleum Corporation USA (**NAPCUS**). NAPCUS has one wholly-owned subsidiary, Prize Petroleum LLC (**Prize**).

7. NAPCUS was incorporated in the state of Delaware in April, 2005. Prize is a limited liability company that was incorporated in Oklahoma in September, 2006.

8. The Filer, NAPCUS and Prize (jointly, the **Debtors**) operate an independent exploration and production company that is predominantly engaged in unconventional well drilling operations for natural gas extraction in Oklahoma. Virtually all operations of the Debtors were pursuant to a farmout agreement with an arms' length third party (**Third Party**).

9. As a result of disputes with the Third Party, the Debtors' revenues were withheld. This, together with a series of unforeseen events strained the Debtors' ability to comply with financial covenants under credit agreements with its secured bank lenders.

10. During the summer of 2008 through 2009, the United States oil and natural gas industry experienced a decline, with natural gas prices declining, which negatively affected the Debtors' profit margins.

11. In April 2011, NAPCUS reached a settlement with the Third Party and, effective June 1, 2011, transferred certain of its property to that party in exchange for cash, which was used to fully satisfy claims of secured creditors arising from its bank indebtedness.

12. NAPCUS retains certain oil and gas assets consisting primarily of shallow rights and net operating losses. The Debtors propose to conduct operations on these oil and gas assets going forward.

The Cease Trade Order

13. The Cease Trade Order was issued in response to the failure of the Filer to file with the Ontario Securities Commission annual audited financial statements, annual management discussion and analysis and certification of annual filings for the year ended December 31, 2009 (collectively, the **Filings**).

14. The Filer is also currently subject to cease trade orders issued by the Alberta Securities Commission on April 12, 2010 and the British Columbia Securities Commission on April 21, 2010.

15. As a result of the failure to file Filings, the Filer is not up to date in its continuous disclosure obligations and remains in default of the requirements of the Act and the regulations under the Act.

Delisting

16. The Petroflow Common Shares have been delisted from trading on the TSX and NYSE Amex. The securities of the Filer are not listed or quoted on any other exchange or marketplace in Canada or elsewhere.

The Plan Under The United States Bankruptcy Act and Recognition Under the Companies' Creditors Arrangement Act

17. In light of certain actions taken by the Third Party and the Debtors' then existing financial position, NAPCUS and Prize filed a voluntary petition for relief under Chapter 11 of Title 11 of the *United States Bankruptcy Code* (**Bankruptcy Code**) on May 25, 2010.

18. In order to fully restructure the Debtors' debt obligations and strengthen their going forward operations, the Filer filed a voluntary petition with the United States Bankruptcy Court for the District of Delaware (**U.S. Court**) under Chapter 11 of the Bankruptcy Code on August 20, 2010.

19. On September 14, 2010 the Filer applied to the Court of Queen's Bench of Alberta, Judicial District of Calgary, and obtained a recognition order of the Chapter 11 case of the Filer and certain other relief under section 47 of the *Companies' Creditors Arrangement Act*, Canada (**CCAA**).

20. On June 24, 2011, a joint Chapter 11 Plan of the Debtors was submitted for approval with the U.S. Court, together with a Disclosure Statement. The Debtors filed an amended Disclosure Statement and Plan on July 22, 2011.

21. On July 29, 2011, the Debtors obtained an order from the U.S. Court that, among other things, the Disclosure Statement (as amended) and other materials related to solicitation of acceptance of the Plan, including related solicitation materials, contain adequate information within the meaning of Section 1125 of the Bankruptcy Code.

22. The interests of holders of the Petroflow Common Shares are represented by the Official Committee of Equity Security Holders of the Debtors. This Committee has taken steps to ensure that shareholders of the Filer have access to the Chapter 11 Plan, the Disclosure Statement and solicitation documents in respect of the Plan.

23. The Chapter 11 Plan was approved by 100% of the creditors of the Filer and NAPCUS who voted on the Plan, with the deadline for voting being September 2, 2011.

24. The Chapter 11 Plan was approved by the Board of Directors of the Filer on June 22, 2011.

25. The Chapter 11 Plan was approved at a confirmation hearing held before the U.S. Court on September 14, 2011.

26. An application will be made on September 19, 2011 under the CCAA for recognition of the order obtained in the U.S. Court at the confirmation hearing.

27. On the Chapter 11 Plan becoming effective, NAPCUS, as reorganized in accordance with the Plan (**reorganized NAPCUS**) will be the surviving entity post-bankruptcy.

28. All of the securities of the Filer will be cancelled.

29. As part of the reorganization of the Debtors under the Chapter 11 Plan, the following securities of reorganized NAPCUS will be issued pursuant to the prospectus exemption in s. 2.11 of National Instrument 45-106 *Prospectus and Registration Exemptions*:

    (a) series A convertible preferred shares will be issued to certain investors in reorganized NAPCUS;

    (b) series B convertible preferred shares of NAPCUS or cash will be issued or paid, as applicable, to unsecured creditors of reorganized NAPCUS, although there is an aggregate limit of $500,000 of cash available for these claims;

    (c) series C convertible preferred shares will be issued to unsecured creditors of the Filer;

(d) common shares of reorganized NAPCUS will be issued under a management equity plan;

(e) common shares of reorganized NAPCUS will be issued to holders of 250,000 or more Petroflow Common Shares; and

(f) all other shareholders of the Filer will be entitled to receive either common shares of reorganized NAPCUS or cash.

30. Immediately following the implementation of the Chapter 11 Plan, there will be fewer than 15 securityholders of reorganized NAPCUS in each jurisdiction in Canada and fewer than 50 securityholders of reorganized NAPCUS in total in Canada.

31. The shares of NAPCUS issued in accordance with the Plan will be subject to transfer restrictions.

32. On the Chapter 11 Plan becoming effective, no securities of reorganized NAPCUS will be traded on a marketplace in Canada or elsewhere.

33. All shareholders of the Filer will ultimately be entitled to receive the same value for their shares of the Filer, although value may be delivered at different times.

34. In accordance with the Plan, holders of 250,000 or more Petroflow Common Shares will receive one share of reorganized NAPCUS for each share of the Filer held, immediately upon the effectiveness of the Plan. The threshold number of shares may be adjusted to ensure that NAPCUS remains a private, non-reporting company, for purposes of United States' securities laws.

35. Pursuant to the Plan, holders of fewer than 250,000 Petroflow Common Shares (**Petroflow Other Interests**) will be entitled to receive, at the option of reorganized NAPCUS, no later than the second anniversary of the effective date of the Plan, either their share of reorganized NAPCUS common shares or cash.

36. The board of reorganized NAPCUS will be required to meet formally every six months to determine whether to continue to defer the distribution to holders of Petroflow Other Interests. Notice of the determinations of the board shall be communicated through the website of reorganized NAPCUS or by similar means.

37. If common shares of reorganized NAPCUS are issued to holders of Petroflow Other Interests in accordance with the Plan, reorganized NAPCUS will qualify the distribution of such shares under a prospectus filed in the Reporting Jurisdictions and in accordance with applicable securities law.

38. No significant objection has been raised with respect to the Chapter 11 Plan.

Investment Commitment

39. The Debtors have obtained commitments from certain investors to provide $3 million to reorganized NAPCUS, in accordance with the Plan, in exchange for the issuance by reorganized NAPCUS of series A convertible preferred shares.

40. The Filer believes it is in the best interest of shareholders and creditors of the Debtors to have the Chapter 11 Plan implemented and for reorganized NAPCUS to emerge promptly from Chapter 11, as emergence will preserve the going-concern value of the Debtors' remaining assets.

41. The Chapter 11 Plan cannot be implemented without a partial revocation of the Cease Trade Order, to allow for the cancellation of all securities of the Filer.

42. The Filer is concurrently seeking an order from the Reporting Jurisdictions that the Cease Trade Order applicable in the Reporting Jurisdictions be partially revoked to permit:

(a) The cancellation of the Filer's outstanding securities in connection with the implementation of the Chapter 11 Plan; and

(b) All other acts in furtherance of the Chapter 11 Plan that may be considered to fall within the definition of "trade" within the meaning of the Act.

43. Upon implementation of the Chapter 11 Plan, NAPCUS will become a reporting issuer in Ontario, British Columbia and Alberta on the exchange of its securities with holders of Petroflow Common Shares. NAPCUS intends to subsequently make an application to cease to be a reporting issuer in each jurisdiction in which it is a reporting issuer.

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

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

IT IS ORDERED, pursuant to section 144 of the Act, that the Ontario CTO is partially revoked solely to permit trades in securities of the Filer (including for greater certainty, acts in furtherance of trades in securities of the Filer), being the cancellation of all securities of the Filer in connection with the Chapter 11 Plan, provided that a recognition order under the CCAA is issued in respect of the order of the U.S. Court approving the Chapter 11 Plan.

DATED at Toronto this 20th day of September, 2011.

"Jo-Anne Matear"
Assistant Manager, Corporate Finance

2.2.13 Alexander Christ Doulis et al. – s. 127

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

AND

**IN THE MATTER OF
ALEXANDER CHRIST DOULIS
(aka ALEXANDER CHRISTOS DOULIS,
aka ALEXANDROS CHRISTODOULIDIS)
and LIBERTY CONSULTING LTD.**

**ORDER
(Section 127 of the Act)**

WHEREAS on January 14, 2011, the Ontario Securities Commission (the "**Commission**") issued a Notice of Hearing, returnable on March 10, 2011, in relation to a Statement of Allegations brought by Staff of the Commission ("**Staff**") with respect to Alexander Christ Doulis (also known as Alexander Christos Doulis, also known as Alexandros Christodoulidis) ("**Doulis**") and Liberty Consulting Ltd. ("**Liberty**");

AND WHEREAS Staff alleges, in the Statement of Allegations, that: (i) between January 1, 2004 and September 2010, Doulis and Liberty (together, the "**Respondents**") engaged in the business of advising with respect to investing in, buying or selling securities without being registered in accordance with Ontario securities law in any category of adviser, contrary to subsection 25(3) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**") (previously subsection 25(1)(c) of the Act); and (ii) between July 2009 and September 2010, Doulis made statements to Staff that, in a material respect and at the time and in light of the circumstances under which they were made, were misleading or untrue or did not state facts that were required to be stated or that were necessary to make the statements not misleading, contrary to subsection 122(1)(a) of the Act;

AND WHEREAS at the hearing on March 10, 2011 (the "**Hearing**"), the Commission considered an application brought by Staff (the "Application") for a temporary order ("**Temporary Order**") pursuant to section 127 of the Act, that, until the completion of the hearing on the merits in this matter (the "**Merits Hearing**"): (i) Doulis and Liberty cease trading and acquiring any securities except for the benefit of Doulis personally or that of his spouse, Sally Doulis; (ii) any exemptions available in the Act do not apply to Doulis and Liberty; and (iii) such other terms as the Commission may find appropriate;

AND WHEREAS at the Hearing on March 10, 2011, Staff and Doulis appeared before the Commission and gave evidence and made submissions with respect to the Application;

AND WHEREAS, having considered the evidence given and the submissions made at the Hearing, for the reasons issued on September 9, 2011, it is the opinion of

the Commission that it is in the public interest to issue the Temporary Order requested by Staff;

IT IS ORDERED THAT:

1. Pursuant to paragraph 2 of subsection 127(1) of the Act and subsection 127(2) of the Act, Doulis and Liberty shall cease trading in any securities, except for the benefit of Doulis personally or that of his spouse, Sally Doulis;

2. Pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Doulis and Liberty; and

3. This Order shall take effect immediately and remain in effect until the completion of the Merits Hearing or until further order of the Commission.

DATED at Toronto this 9th day of September, 2011.

"Christopher Portner"

"Paulette L. Kennedy"

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions, Orders and Rulings

3.1.1 Anthony Ianno and Saverio Manzo

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

AND

IN THE MATTER OF
ANTHONY IANNO AND SAVERIO MANZO

SETTLEMENT AGREEMENT OF
SAVERIO MANZO

PART I – INTRODUCTION

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

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission ("Staff") agree to recommend settlement of the proceeding commenced by Notice of Hearing dated March 8, 2010 (the "Proceeding") against the Respondent according to the terms and conditions set out in Part VI of this Settlement Agreement. The Respondent agrees to the making of an order in the form attached as Schedule "A", based on the facts set out below.

PART III – AGREED FACTS

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

4. The Respondent is an individual resident in Ontario. Between October 1992 and April 2003, the Respondent was registered with the Commission as a mutual funds salesperson.

5. Covalon Techonologies Ltd. ("Covalon") is a reporting issuer in Ontario that trades on the Toronto Stock Exchange Venture Exchange ("TSXV") under the trading symbol "COV". Covalon is a medical biosystems company.

6. Between January 2007 and April 2008, the Respondent purchased approximately 935,000 shares of Covalon. The purchases were made in 10 different accounts held at 5 different brokerage firms. Some of the accounts were held in the Respondent's name, and some were in the name of Financial Concepts, a sole proprietorship owned by the Respondent.

7. In the period between November 2007 and April 2008, the Respondent engaged in trading in which he intended to or did raise or maintain the price of Covalon shares.

8. During this period, the majority of the Respondent's purchases of Covalon shares were active trades. A significant portion of these active trades caused an uptick in the price of Covalon shares. A significant portion of these active trades also occurred within 15 minutes of the close of the trading day.

9. Of these late-day trades, the majority occurred after 15:59:00 (daily trading on the TSXV closes at 16:00 Toronto time) and a significant proportion constituted the closing trade of the day in Covalon shares. The Respondent frequently made late day trades of only 100 Covalon shares, which is the minimum Standard Trading Unit (meaning the minimum

quantity of shares that can be included in the stock exchange's price data) for purchases on the TSXV. These closing trades frequently had the effect of setting the closing price in Covalon shares, often on an uptick.

10. In addition, the Respondent frequently entered improving bids (meaning bids which increased the price of the prevailing bid) at or near the close of trading. These improving bids were nearly all for volumes of only 100 shares, which is the minimum Standard Trading Unit for bids on the TSXV.

11. Finally, in the period between November 2007 and April 2008, the Respondent was in contact with Anthony Ianno ("Ianno") and coordinated certain of his own purchases of Covalon shares with those of Ianno.

PART IV – RESPONDENT'S POSITION

12. The Respondent requests that the settlement hearing panel consider the following mitigating circumstances:

(a) The Respondent states that Ianno promoted and encouraged his purchases of Covalon shares;

(b) all of the trades at issue were placed by the Respondent through various registered market intermediaries, all of whom agreed to execute the trade at the time and price requested by the Respondent; at no time did any market intermediary either decline to execute the trade or subsequently cancel the trade

(c) all of the trades at issue were open market arm's length purchases made by the Respondent further to his intention to accumulate a significant position in Covalon for the purposes of long term investment in a company ranked during this period as a "TSX Venture 50" company and as one of the top 10 technology and life sciences issuers on the TSXV;

(d) as a result of the Respondent's investment in shares of Covalon, the Respondent sustained a net loss of approximately $2 million;

(e) the Respondent acknowledges and accepts responsibility for his conduct and now understands how the trading at issue could be regarded by the Commission as contrary to the public interest;

(f) The Respondent was at no time an officer, director or insider of Covalon nor did he base any trading activity on the receipt of any insider information;

(g) the Respondent cooperated with the investigation of this matter; and

(h) The Respondent has not been the subject of any prior Commission proceedings or orders.

PART V – CONDUCT CONTRARY TO THE PUBLIC INTEREST

13. By engaging in the conduct described above the Respondent acted contrary to the public interest.

PART VI – TERMS OF SETTLEMENT

14. The Respondent agrees to the terms of settlement listed below.

15. The Commission will make an order pursuant to section 127(1) and section 127.1 of the Act that:

(a) The settlement agreement is approved.

(b) Trading in any securities by or of the Respondent cease for a period of 4 years commencing on the date of the Commission's order

(c) Acquisition of any securities by the Respondent is prohibited for a period of 4 years commencing on the date of the Commission's order.

(d) Any exemptions contained in Ontario securities law do not apply to the Respondent for a period of 4 years commencing on the date of the Commission's order.

(e) Clauses (b), (c) and (d) above are subject to the exception that the Respondent is permitted to transfer within 60 days to, and trade through, any registered retirement savings account and/or a registered retirement income fund (as defined in the *Income Tax Act* (Canada)) ("RRSP") in which the Respondent has sole legal and beneficial ownership provided that:

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

2. the Respondent does not own legally or beneficially (in the aggregate, together or with others) more than one percent of the outstanding securities of the class or series of the class in question; and

3. the Respondent carries out any trading through a registered dealer (which dealer must be given a copy of this Order) and through accounts opened in the Respondent's name only.

(f) The Respondent is reprimanded.

(g) The Respondent is prohibited from becoming or acting as a director or officer of a reporting issuer for a period of 4 years from the date of the Commission's order.

(h) The Respondent is prohibited from becoming or acting as a registrant for a period of 4 years from the date of the Commission's order.

(i) The Respondent is prohibited from becoming or acting as a promoter for a period of 4 years from the Commission's order.

(j) The Respondent agrees to make a payment of $25,000 to the Commission for the benefit of third parties, and a payment of $25,000 to the Commission representing a partial repayment of the costs of the investigation of this matter.

(k) In the event that the payments set out in paragraph (j) above, are not made in full, the provisions of paragraphs (b) through (i) shall continue in force until such payments are made in full without any limitation as to time period.

16. The Respondent agrees to personally make any payments ordered above within 4 years of the date of the Commission's order. The Respondent will not be reimbursed for, or receive a contribution toward, this payment from any other person or company.

17. The Respondent undertakes to consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the prohibitions set out in sub-paragraphs (b) through (i) above. These prohibitions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

PART VII – STAFF COMMITMENT

18. If the Commission approves this Settlement Agreement, Staff will not commence any proceeding under Ontario securities law in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 19 below.

19. If the Commission approves this Settlement Agreement and the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Ontario securities law against the Respondent. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement.

PART VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT

20. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled for a date to be agreed by Staff and the Respondent, according to the procedures set out in this Settlement Agreement and the Commission's Rules of Practice.

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

22. If the Commission approves this Settlement Agreement, the Respondent agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

23. If the Commission approves this Settlement Agreement, neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.

24. Whether or not the Commission approves this Settlement Agreement, the Respondent will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

PART IX – DISCLOSURE OF SETTLEMENT AGREEMENT

25. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule "A" to this Settlement Agreement:

    (i) this Settlement Agreement and all discussions and negotiations between Staff and the Respondent before the settlement hearing takes place will be without prejudice to Staff and the Respondent; and

    (ii) Staff and the Respondent will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Statement of Allegations. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this agreement.

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

PART X – EXECUTION OF SETTLEMENT AGREEMENT

27. The parties may sign separate copies of this agreement. Together, these signed copies will form a binding agreement.

28. A fax copy of any signature will be treated as an original signature.

Dated this 14th day of September, 2011

"Saverio Manzo"
Saverio Manzo

"Stephen Edell"
Witness

Dated this 14th day of September, 2011

"Tom Atkinson"
Tom Atkinson
Director, Enforcement Branch

Schedule "A"

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

AND

IN THE MATTER OF
ANTHONY IANNO AND SAVERIO MANZO

AND

IN THE MATTER OF
SETTLEMENT AGREEMENT BETWEEN STAFF OF
THE ONTARIO SECURITIES COMMISSION AND
SAVERIO MANZO

ORDER

WHEREAS on March 8, 2010 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing and Statement of Allegations in this matter pursuant to sections 127 and 127.1 of the **Securities Act**, R.S.O. 1990, c S.5, as amended;

AND WHEREAS the Respondent Saverio Manzo ("Manzo") entered into a Settlement Agreement with Staff of the Commission dated September 13, 2011 in relation to the matters set out in the Statement of Allegations (the "Settlement Agreement");

AND WHEREAS the Commission issued a Notice of Hearing on September 13, 2011 announcing that it proposed to consider the Settlement Agreement ;

UPON reviewing the Settlement Agreement, the Notice of Hearing and the Statement of Allegations, and upon hearing submissions from counsel for Staff of the Commission and counsel for Manzo;

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

IT IS ORDERED THAT:

1. The Settlement Agreement is approved.

2. Trading in any securities by Manzo shall cease for a period of 4 years commencing on the date of this Order.

3. Acquisition of any securities by Manzo is prohibited for a period of 4 years commencing on the date of this Order.

4. Any exemptions contained in Ontario securities law do not apply to Manzo for a period of 4 years commencing on the date of this Order.

5. Paragraphs 2, 3 and 4 are subject to the exception that Manzo is permitted to transfer within 60 days of the date of this Order to, and trade through, any registered retirement savings account and/or a registered retirement income fund (as defined in the *Income Tax Act* (Canada)) in which Manzo has sole legal and beneficial ownership provided that:

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

   (b) Manzo does not own legally or beneficially (in the aggregate, together or with others) more than one percent of the outstanding securities of the class or series of the class in question; and

   (c) Manzo carries out any trading through a registered dealer (which dealer must be given a copy of this Order) and through accounts opened in Manzo's name only.

6. Manzo is reprimanded.

7. Manzo is prohibited from becoming or acting as a director or officer of a reporting issuer for a period of 4 years from the date of this Order.

8. Manzo is prohibited from becoming or acting as a registrant for a period of 4 years from the date of this Order.

9. Manzo is prohibited from becoming or acting as a promoter for a period of 4 years from the date of this Order.

10. Subject to the terms of the Settlement Agreement, Manzo agrees to make a voluntary payment of $25,000 to the Commission for the benefit of third parties, and a payment of $25,000 to the Commission representing a partial repayment of the costs of the investigation of this matter.

11. In the event that the payments set out in paragraph 10 are not made in full, the provisions of paragraphs 2 through 9 shall continue in force until such payments are made in full without any limitation as to the time period.

DATED at Toronto this _____ day of September, 2011.

_____

3.1.2 Ian Overton

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

AND

IN THE MATTER OF
IAN OVERTON

SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE ONTARIO SECURITIES COMMISSION
AND IAN OVERTON

PART I – INTRODUCTION

1. The Ontario Securities Commission (the "Commission") will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), it is in the public interest for the Commission to make certain orders in respect of Ian Overton ("Overton" or "the Respondent").

PART II – JOINT SETTLEMENT RECOMMENDATION

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

PART III – AGREED FACTS

3. For this proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, Overton agrees with the facts set out in this Part of this Settlement Agreement.

4. Between 2007 and 2010 (the "Material Time"), Overton was an officer of MAK Allen & Day Capital Partners Inc. ("MAK") and, as of June 2007, Overton was registered with the Commission as the Designated Compliance Officer ("DCO") of MAK.

5. MAK was registered as a limited market dealer or as an exempt market dealer during the Material Time. MAK was part of the frontierAlt ("FALT") financial organization by virtue of it being a wholly owned subsidiary of the FALT parent company frontierAlt Capital Corporation.

6. The FALT financial organization consisted of, among other things, a public mutual fund, frontierAlt Resource Capital Class Fund ("FALT Resource"), and two limited partnerships organized as public non-redeemable investment funds namely frontierAlt 2007 Energy & Precious Metals Flow-Through Limited Partnership ("FALT 2007 LP") and frontierAlt 2008 Precious Metals & Energy Flow-Through Limited Partnership ("FALT 2008 LP" and together with FALT 2007 LP, the "FALT LPs").

7. FALT Resource and the FALT LPs (collectively the "FALT Investment Funds") retained a third-party investment counsel and portfolio manager ("ICPM") to provide ICPM services to the FALT Investment Funds pursuant to portfolio management contracts.

8. The FALT LPs prepared and filed prospectuses and raised approximately $24 million from the public in December 2007 and April 2008. The FALT LPs and FALT Resource were active purchasers and sellers of securities of resource issuers including private placement purchases which in the case of the FALT LPs were principally flow through securities which generated income tax benefits for the FALT LPs limited partners. MAK's market intermediation consisted predominantly of facilitating the private placement purchases of securities of resource issuers by the FALT Investment Funds.

9. In practice, investment recommendations to the ICPM were routinely made by representatives of MAK, principally Overton, and the approval of the investments by the ICPM was routinely received by MAK verbally. No written trade instructions were received by MAK from the ICPM and MAK did not record the trade instructions from the ICPM.

10. During the Material Time, Overton failed to ensure that MAK kept proper books and records respecting its dealer activities. Overton failed to ensure that MAK maintained an adequate trading blotter, a record of trade instructions received from the ICPM of the FALT Investment Funds and a complete record of client documentation including subscription agreements for all its clients.

11. In 2009, MAK earned fees through a fee splitting referral arrangement with a third-party dealer. Such dealer had arranged for a flow-through investment in an issuer by a party unrelated to FALT. On the authority of a principal of MAK, a portion of the MAK-earned fee (warrants) was paid directly to Overton. Overton failed to ensure that all the fees earned by MAK under the fee splitting referral arrangement with the dealer were properly reflected in MAK's books and records.

12. In September 2009, Overton, on the authority of a principal of MAK, received shares directly from a third-party issuer pursuant to an engagement with MAK. Overton failed to ensure that all of the fees received by MAK pursuant to the engagement were properly reflected in MAK's books and records.

13. Also in 2009, an issuer engaged MAK to provide consulting services. On the authority of a principal of MAK, Overton received directly a portion of the fee (shares) earned by MAK. Overton failed to ensure that all the fees earned by MAK were properly reflected in MAK's books and records.

14. During the Material Time as described in this Part, Overton failed in his duty as the DCO at MAK to provide adequate compliance oversight and supervision over the activities of MAK and to ensure adequate books and records were kept.

PART IV – CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND CONTRARY TO THE PUBLIC INTEREST

15. Overton, being a market participant, failed to ensure books, records and other documents as were necessary for the proper recording of the business transactions and financial affairs of MAK were kept by MAK contrary to section 19(1) of the Act. Overton, as a registrant, failed in his duty to act fairly with his clients by receiving compensation directly from a third party and failing to ensure that such compensation earned by MAK under a fee splitting and other consulting engagements were properly reflected in MAK's books and records contrary to section 2.1 of OSC Rule 31-505 *Conditions of Registration*. Overton as the DCO at MAK failed to provide adequate compliance oversight and supervision over the activities of MAK contrary to sections 1.3 and 3.1 of OSC Rule 31-505 *Conditions of Registration*. By engaging in this conduct as described in Part III, Overton acted contrary to Ontario securities law and contrary to the public interest.

PART V – TERMS OF SETTLEMENT

16. The Respondent agrees to the terms of settlement listed below.

17. The Commission will make an order pursuant to section 127(1) and section 127.1 of the Act that:

    (a) the settlement agreement is approved;

    (b) the Respondent is prohibited from being registered under the Act in any capacity for one year and until the Respondent completes all proficiency requirements and the Conduct and Practices Handbook Course (the "CPH") and upon such registration, the Respondent will be subject to close supervision for 6 months;

    (c) the Respondent cease trading in securities for one year except for trading on his own behalf in his own account or in the account of his holding company, Loudon Hill Inc.;

    (d) the Respondent is prohibited from acquiring securities for one year except for acquisitions on his own behalf in his own account or in the account of his holding company, Loudon Hill Inc.;

    (e) any exemptions contained in Ontario securities law do not apply to the Respondent for one year except as permitted under this order respecting the trading of securities on his own behalf in his own account or in the account of his holding company, Loudon Hill Inc.;

    (f) the Respondent is reprimanded;

    (g) with the exception of any position as a director or officer that he holds in his holding company, Loudon Hill Inc., the Respondent resign any position he holds as a director or as a chief executive officer, a chief operating officer or a president of any issuer;

(h) with the exception of any position as a director or officer that he holds in his holding company, Loudon Hill Inc., the Respondent is prohibited from becoming or acting as a director or as a chief executive officer, a chief operating officer or a president of any issuer for three years;

(i) the Respondent resign any position he holds as a director or as an ultimate designated person or a chief compliance officer of a registrant;

(j) the Respondent is prohibited from becoming or acting as a director or as an ultimate designated person or a chief compliance officer of a registrant for three years and until he completes the PDO exam as defined in Part 3.1 of National Instrument 31-103 (the "PDO exam");

(k) the Respondent resign any position he holds as a director or an ultimate designated person or a chief compliance officer of an investment fund manager;

(1) the Respondent is prohibited from becoming or acting as a director or an ultimate designated person or a chief compliance officer of an investment fund manager for three years and until he completes the PDO exam;

(m) the Respondent is prohibited from becoming or acting as an investment fund manager for three years or as a promoter for one year;

(n) the Respondent pay an administrative penalty of $10,000 to be allocated under section 3.4(2)(b) of the Act to or for the benefit of third parties; and

(o) the Respondent will pay the costs of the Commission's investigation in the amount of $15,000.

18. The Respondent agrees to personally make any payments ordered above by certified cheque within 15 days from when the Commission approves this Settlement Agreement. The Respondent will not be reimbursed for, or receive a contribution toward, this payment from any other person or company.

19. The Respondent undertakes to consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the prohibitions set out in sub-paragraphs 17(b) to (d) above. These prohibitions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

PART VI – STAFF COMMITMENT

20. If the Commission approves this Settlement Agreement, Staff will not commence any proceeding under Ontario securities law in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 21 below.

21. If the Commission approves this Settlement Agreement and the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Ontario securities law against the Respondent. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement.

PART VII – PROCEDURE FOR APPROVAL OF SETTLEMENT

22. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled for September 14, 2011 p.m. or on another date agreed to by Staff and the Respondent, according to the procedures set out in this Settlement Agreement and the Commission's Rules of Practice.

23. Staff and the Respondent agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing.

24. If the Commission approves this Settlement Agreement, the Respondent agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

25. If the Commission approves this Settlement Agreement, neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.

26. Whether or not the Commission approves this Settlement Agreement, the Respondent will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT

27. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule "A" to this Settlement Agreement:

    (a) this Settlement Agreement and all discussions and negotiations between Staff and the Respondent before the settlement hearing takes place will be without prejudice to Staff and the Respondent; and

    (b) Staff and the Respondent will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Statement of Allegations. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this agreement.

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

PART IX – EXECUTION OF SETTLEMENT AGREEMENT

29. The parties may sign separate copies of this agreement. Together, these signed copies will form a binding agreement.

30. A fax copy of any signature will be treated as an original signature.

Dated this day of Sep 8, 2011.

"Ian Overton"
Ian Overton

"Tracy Pratt"
Witness

"Tom Atkinson"
Tom Atkinson
Director, Enforcement

Schedule "A"

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

AND

IN THE MATTER OF
IAN OVERTON

ORDER
(Sections 127(1) and 127.1)

WHEREAS 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") in respect of Ian Overton (the "Respondent");

AND WHEREAS the Respondent and Staff of the Commission ("Staff") entered into a Settlement Agreement (the "Settlement Agreement") in which they agreed to a settlement of the proceeding commenced by a Statement of Allegations subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and upon hearing submissions from counsel for Staff and counsel for the Respondent;

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

IT IS ORDERED THAT:

1. the Settlement Agreement is approved;

2. pursuant to paragraph 127(1)1 of the Act, the Respondent is prohibited from being registered under the Act in any capacity for one year and until the Respondent completes all proficiency requirements and the Conduct and Practices Handbook Course (the "CPH") and upon such registration, the Respondent will be subject to close supervision for 6 months;

3. pursuant to section 127(1)2 of the Act, the Respondent will cease trading in securities for one year except for trading on his own behalf in his own account or in the account of his holding company, Loudon Hill Inc.;

4. pursuant to section 127(1)2.1 of the Act, the Respondent is prohibited from acquiring securities for one year except on his own behalf in his own account or in the account of his holding company, Loudon Hill Inc;

5. pursuant to section 127(1)3 of the Act, any exemptions contained in Ontario securities law do not apply to the Respondent for one year except as permitted under this order respecting the trading of securities on his own behalf in his own account or in the account of his holding company, Loudon hill Inc.;

6. pursuant to section 127(1)6 of the Act, the Respondent is reprimanded;

7. pursuant to section 127(1)7 of the Act, with the exception of any position he holds as a director or officer in his holding company, Loudon Hill Inc., the Respondent resign any positions he holds as a director or as a chief executive officer, a chief operating officer or a president of any issuer;

8. pursuant to section 127(1)8 of the Act, with the exception of any position he holds as a director or officer in his holding company, Loudon Hill Inc., the Respondent is prohibited from becoming or acting as a director or as a chief executive officer, a chief operating officer or a president of any issuer for three years;

9. pursuant to section 127(1)8.1 of the Act, the Respondent resign any position he holds as a director or as an ultimate designated person or as a chief compliance officer of a registrant;

10. pursuant to section 127(1)8.2 of the Act, the Respondent is prohibited from becoming or acting as a director or as an ultimate designated person or a chief compliance officer of a registrant for three years and until he completes the PDO exam as defined in Part 3.1 of National Instrument 31-103 the ("PDO exam");

11. pursuant to section 127(1)8.3 of the Act, the Respondent resign any position he holds as a director or as an ultimate designated person or a chief compliance officer of an investment fund manager;

12. pursuant to section 127(1)8.4 of the Act, the Respondent is prohibited from becoming or acting as a director or as an ultimate designated person or a chief compliance officer of an investment fund manager for three years and until he completes the PDO exam;

13. pursuant to section 127)(1)8.5 of the Act, the Respondent is prohibited from becoming or acting as an investment fund manager for three years or a promoter for one year;

14. pursuant to section 127(1)9 of the Act, the Respondent pay an administrative penalty of $10,000 to be allocated under section 3.4(2)(b) of the Act to or for the benefit of third parties; and

15. pursuant to section 127.1 of the Act, the Respondent pay a portion of the costs of the Commission's investigation in the amount of $15,000.

DATED at Toronto this day of September, 2011.

James E. A. Turner
Vice-Chair

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

THERE ARE NO ITEMS FOR THIS WEEK.

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

THERE ARE NO ITEMS FOR THIS WEEK.

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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 SecuritiesSource (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
08/31/2009 to 12/31/2009	2	360 Degree US Realty Income Fund (LP) - Units	410,000.00	4,000.00
08/31/2009	1	Absolute Return Fund (LP) - Units	150,000.00	1,500.00
08/25/2011	1	Alpaca Resources Inc. - Units	12,500.00	490,000.00
08/25/2011	8	Amber Petroleum Limited - Common Shares	360,253.80	3,660,000.00
08/31/2011	66	Asante Gold Corporation - Common Shares	1,402,000.00	5,608,000.00
09/01/2011	7	Ascend Partners Fund II, Ltd. - Common Shares	7,863,289.00	80,406.00
09/01/2011	22	Aura Silver Resources Inc. - Common Shares	1,627,500.00	9,827,254.00
08/22/2011	2	Axela Inc. - Debentures	500,000.00	2.00
08/30/2011 to 09/01/2011	4	Barkerville Gold Mines Ltd. - Common Shares	230,700.00	150,000.00
08/31/2011	38	BCGold Corp. - Units	1,472,440.00	12,713,663.00
01/01/2010 to 12/31/2010	1	BlackRock Cayman Prime Money Market Fund Ltd. - Units	523,223,202.00	934,200,717.68
08/18/2011	6	BNP Paribas Arbitrage Issuance B.V - Certificates	250,934.01	225,000.00
08/26/2011	8	Brionor Resources Inc. - Units	531,780.00	7,596,858.00
08/26/2011	41	Callinex Mines Inc. - Flow-Through Shares	6,600,000.00	6,000,000.00
08/25/2011	30	Canadian Horizons Blended Mortgage Investment Corporation - Units	995,939.00	995,939.00
08/25/2011	22	Canadian Horizons First Mortgage Investment Corporation - Preferred Shares	424,116.00	424,116.00
07/14/2011	1	Capital One Financial Corporation - Common Shares	47,925.00	1,000.00
08/25/2011	10	CareVest Capital Blended Mortgage Investment Corp. - Preferred Shares	288,928.00	288,928.00
08/17/2011	113	Carmel Bay Exploration Ltd. - Common Shares	10,071,961.00	6,714,641.00
09/01/2011	1	Century Energy Ltd. - Common Shares	300,000.00	5,000,000.00
08/25/2011	1	CFI Trust - Notes	20,000,000.00	20,000,000.00
03/14/2011	1	Citigroup Funding Inc. - Notes	96,440.00	100.00
08/02/2011 to 08/09/2011	5	ColCan Energy Corp. - Units	9,000,000.60	12,857,144.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
09/01/2011	19	Creative Wealth Monthly Pay Trust - Trust Units	1,409,250.00	140,925.00
07/13/2011	14	East Asia Minerals Corporation - Common Shares	10,005,000.00	3,450,000.00
08/23/2011 to 08/25/2011	16	Embotics Corporation - Preferred Shares	905,000.00	905,000.00
09/08/2011	1	euNetworks Group Limited - Common Shares	8,825,760.00	720,000,000.00
08/12/2011	29	Gowest Gold Ltd. - Units	2,901,535.05	N/A
08/18/2011	12	Groundstar Resources Limited - Units	1,300,000.00	13,000,000.00
06/15/2011	12	Guardian Exploration Inc. - Flow-Through Units	825,000.00	8,250,000.00
08/19/2011	124	Harbour First Mortgage Fund Limited Partnership - Units	3,886,202.00	3,886.20
10/19/2005 to 09/30/2010	153	HarbourEdge Mortgage Investment Corporation - Preferred Shares	40,402,565.00	40,402,565.00
07/29/2011	1	Immy Inc. (Formerly Immersion USA, Inc.) - Common Shares	248,950.80	36.00
08/18/2011	1	Isabella Developments Inc. - Units	1,306,006.00	1,306,006.00
08/08/2011	1	JFL Equity Investors III, L.P. - Limited Partnership Interest	14,835,000.00	1.00
02/01/2011	1	Karsch Capital Ltd. - Common Shares	48,403,650.00	237,538.60
08/25/2011	15	Kitrinor Metals Inc. - Units	317,310.07	1,999,469.00
08/18/2011	1	Koffman Enterprises Limited - Units	246,944.00	246,944.00
08/26/2011	13	Lachlan Star Limited - Special Warrants	14,585,569.60	18,400,000.00
07/15/2011	42	Lakota Resources Inc. - Common Shares	1,727,100.00	172,710,000.00
06/08/2011	1	Living Forest One Limited Partnership - Units	30,000.00	25,000.00
06/30/2011	1	Living Forest One Limited Partnership - Units	60,000.00	50,000.00
07/11/2011	1	Living Forest One Limited Partnership - Units	30,000.00	30,000.00
08/22/2011 to 08/24/2011	8	Member-Partners Solar Energy Capital Inc. - Bonds	175,700.00	1,757.00
08/22/2011 to 08/26/2011	3	Member-Partners Solar Energy Limited Partnership - Units	114,000.00	114,000.00
08/29/2011	4	Merchant World Service Inc. - Units	425,000.00	3,450,000.00
09/12/2011	1	National Retail Properties, Inc. - Common Shares	72,682.12	8,000,000.00
08/22/2011 to 08/31/2011	7	Newport Balanced Fund - Limited Partnership Interest	51,815.93	531.00
09/01/2011 to 09/09/2011	1	Newport Balanced Fund - Trust Units	40,000.00	408.00
08/22/2011 to 08/31/2011	1	Newport Canadian Equity Fund - Limited Partnership Interest	7,000.00	53.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
09/01/2011 to 09/09/2011	1	Newport Canadian Equity Fund - Trust Units	25,000.00	190.00
09/01/2011 to 09/09/2011	5	Newport Fixed Income Fund - Trust Units	782,860.75	7,317.00
08/22/2011 to 08/31/2011	1	Newport Global Equity Fund - Limited Partnership Interest	15,000.00	277.00
08/22/2011 to 08/31/2011	2	Newport Real Estate LPU - Limited Partnership Interest	1,609,349.50	162,555.00
08/22/2011 to 08/31/2011	8	Newport Yield Fund - Limited Partnership Interest	163,000.00	1,319.00
09/01/2011 to 09/09/2011	3	Newport Yield Fund - Trust Units	181,000.00	1,551.00
08/04/2011 to 08/08/2011	27	Northern Freegold Resources Ltd. - Units	2,423,562.00	8,078,540.00
07/20/2011	52	Northern Freegold Resources Ltd. - Units	6,000,000.00	20,000,000.00
08/22/2011	61	Northern Patriot Oil & Gas Ltd. - Units	2,133,323.50	1,323,211.00
08/23/2011	8	ONCAP III (Canada) LP - Limited Liability Interest	26,000,000.00	N/A
08/02/2011	10	Pacific Alberta Income Fund - Units	935,550.00	10.00
08/19/2011	14	Petro-Reef Resources Ltd. - Flow-Through Shares	2,391,200.00	5,978,000.00
08/23/2011 to 08/25/2011	2	Place Trans Canadienne Commercial Limited Partnership - Notes	60,000.00	60,000.00
09/09/2011	2	Premium Brands Holdings Corporation - Common Shares	31,500,000.00	1,968,750.00
08/09/2011	1	Providence Equity Partners VII-A L.P. - Limited Liability Interest	13,830,414.00	1.00
08/25/2011	7	Q-Gold Resources Ltd. - Common Shares	726,000.00	7,350,000.00
09/13/2011	1	Radiant Energy Corporation - Debenture	50,000.00	1.00
06/29/2011	2	Rainy River Resources Ltd. - Common Shares	89,900.00	10,000.00
08/30/2011	5	Rainy River Resources Ltd. - Common Shares	864,200.00	80,000.00
08/23/2011	2	Richard Gianchetti - Units	5,000,000.00	5,000,000.00
08/22/2011	2	Rocmec Mining Inc. - Flow-Through Units	500,000.00	2,500,000.00
08/24/2011	24	Sharprock Resources Inc. - Common Shares	395,290.00	20,000,000.00
08/19/2011	2	Shear Diamonds Ltd. - Common Shares	981,120.00	3,504,000.00
08/15/2011	71	Skyline Apartment Real Estate Investment Trust - Units	8,535,234.40	779,930.40
08/29/2011 to 09/09/2011	33	Southeast Asia Mining Corp. - Common Shares	647,900.00	25,916,000.00
08/11/2011	4	Southeast Asia Mining Corp. - Common Shares	175,000.00	7,000,000.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
08/16/2011	22	Southern Silver Exploration Corp. - Common Shares	819,095.02	4,818,206.00
08/26/2011	43	Tamaka Gold Corporation - Flow-Through Shares	7,682,583.00	21,418,588.00
07/05/2011	3	Teck Resources Limited - Notes	12,466,831.58	3.00
08/30/2011	6	Texada Software Inc. - Common Shares	3,750,000.00	37,750,000.00
08/23/2011	4	Thompson Hotels - Units	10,000,000.00	10,000,000.00
04/27/2010 to 03/29/2011	1	Tweedy, Browne Value Fund - Common Shares	221,370.03	12,174.00
06/30/2010	1	Tweedy, Browne Worldwide High Dividend Yield Value Fund - Common Shares	21,341.55	2,610.00
08/19/2011	1	UBS AG, Jersey Branch - Notes	29,700.60	30.00
09/01/2000	1	UBS AG, Jersey Branch - Notes	814,901.00	500,000.00
08/16/2011 to 08/17/2011	3	UBS AG, London Branch - Notes	1,500,000.00	1,500.00
01/01/2010 to 12/31/2010	1	U.S. LIBOR GlobalAlpha Bond Fund Ltd. - Units	117,036,797.58	308,918.30
08/25/2011 to 08/26/2011	7	Vital Alert Communication Inc. - Preferred Shares	600,999.96	3,338,888.00
09/02/2011	5	VSS Communications Parallel Partners IV, L.P. - Limited Partnership Interest	662,009.00	5.00
08/05/2011	22	Walton Fletcher Mills LP - Limited Partnership Units	858,500.00	90,350.00
08/26/2011	12	Walton MD Potomac Crossing Investment Corporation - Common Shares	241,650.00	24,165.00
08/05/2011	11	Walton Silver Crossing Investment Corporation - Common Shares	287,350.00	28,735.00
08/05/2011	3	Walton Silver Crossing LP - Limited Partnership Units	330,757.04	34,286.00
08/26/2011	6	Walton Silver Crossing LP - Limited Partnership Units	495,617.81	50,291.00

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Allon Therapeutics Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated September 14, 2011
NP 11-202 Receipt dated September 14, 2011
Offering Price and Description:
$ * * Units Price: $ * per Unit
Underwriter(s) or Distributor(s):
GMP SECURITIES L.P.
Promoter(s):
-
Project #1802024

Issuer Name:
American Bonanza Gold Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated September 14, 2011
NP 11-202 Receipt dated September 14, 2011
Offering Price and Description:
$6,095,000.00 -11,500,000 Common Shares Price: $0.53 per Share
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Promoter(s):
-
Project #1802245

Issuer Name:
ARMISTICE RESOURCES CORP.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated September 14, 2011
NP 11-202 Receipt dated September 14, 2011
Offering Price and Description:
$* (Minimum Offering); $* (Maximum Offering) - A Minimum of * Units and a Maximum of * Units Price: $ * per Unit
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
Promoter(s):
-
Project #1802059

Issuer Name:
Atlantic Power Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated September 19, 2011
NP 11-202 Receipt dated September 20, 2011
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
TD SECURITIES INC.
MORGAN STANLEY CANADA LIMITED
Promoter(s):
-
Project #1803386

Issuer Name:
Avigilon Corporation
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated September 20, 2011
NP 11-202 Receipt dated September 20, 2011
Offering Price and Description:
$ * - * Common Shares Price: $ * per Offered Share
Underwriter(s) or Distributor(s):
RAYMOND JAMES LTD.
BMO NESBITT BURNS INC.
GMP SECURITIES L.P.
Promoter(s):
ALEXANDER FERNANDES
WAN JUNG
Project #1803816

Issuer Name:
Castle Silver Mines Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated September 16, 2011
NP 11-202 Receipt dated September 16, 2011
Offering Price and Description:
Minimum Offering - $2,800,000.00 - Maximum Offering - $3,400,000.00 - 3,000,000 Common Share Units - $900,000.00 - 5,000,000 Common Share Units - $1,500,000.00 - 4,750,000 Flow-Through Units - $1,900,000 - 4,750,000 Flow-Through Units - $1,900,000.00 - Price: $0.30 per Common Share Unit and $0.40 per Flow-Through Unit
Underwriter(s) or Distributor(s):
Industrial Alliance Securities Inc.
Promoter(s):
Gold Bullion Development Corp.
Project #1803061

Issuer Name:
Centric Health Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Base Shelf Prospectus dated September 15, 2011
NP 11-202 Receipt dated September 16, 2011
Offering Price and Description:
$265,500,000.00:
Common Shares
Debt Securities
Warrants to Purchase Common Shares

Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1802625

Issuer Name:
ECI Exploration and Mining Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated September 14, 2011
NP 11-202 Receipt dated September 15, 2011
Offering Price and Description:
Minimum $* - (* Common Shares); Maximum $* - (* Common Shares) Price: $0. per Common Share
Underwriter(s) or Distributor(s):
Stifel Nicolaus Canada Inc.
Scotia Capital Inc.
National Bank Financial Inc.
Promoter(s):
Robert Harrington
Project #1802327

Issuer Name:
Enbridge Income Fund Holdings Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated September 14, 2011
NP 11-202 Receipt dated September 14, 2011
Offering Price and Description:
$219,506,250.00 - 11,707,000 SUBSCRIPTION RECEIPTS each representing the right to receive one Common Share PRICE: $18.75 PER SUBSCRIPTION RECEIPT
Underwriter(s) or Distributor(s):
RBC DOMINION SECURITIES INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
BMO NESBITT BURNS INC.
CIBC WORLD MARKETS INC.
HSBC SECURITIES (CANADA) INC.
NATIONAL BANK FINANCIAL INC.
CANACCORD GENUITY CORP.
FIRSTENERGY CAPITAL CORP.
Promoter(s):
-
Project #1802266

Issuer Name:
EnerVest Diversified Income Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated September 20, 2011
NP 11-202 Receipt dated September 20, 2011
Offering Price and Description:
Warrants to Subscribe for up to * Units at a Subscription Price of $*
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1803809

Issuer Name:
Flex First Plan
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated September 15, 2011
NP 11-202 Receipt dated September 19, 2011
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Knowledge First Financial Inc.
Promoter(s):
Knowledge First Foundation
Project #1802864

Issuer Name:
Horizons AlphaPro Gartman ETF
Horizons AlphaPro Seasonal Rotation ETF
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated September 19, 2011
NP 11-202 Receipt dated September 19, 2011
Offering Price and Description:
Advisor Class Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
ALPHAPRO MANAGEMENT INC.
Project #1803333

Issuer Name:
Major Drilling Group International Inc.
Principal Regulator - New Brunswick
Type and Date:
Preliminary Short Form Prospectus dated September 14, 2011
NP 11-202 Receipt dated September 14, 2011
Offering Price and Description:
$70,210,000.00 - 5,900,000 Subscription Receipts, each representing the right to receive one Common Share Price: $11.90 per Subscription Receipt
Underwriter(s) or Distributor(s):
TD SECURITIES INC.
SCOTIA CAPITAL INC.
CIBC WORLD MARKETS INC.
RBC DOMINION SECURITIES INC.
BEACON SECURITIES LIMITED
JENNINGS CAPITAL INC.
SALMAN PARTNERS INC.
Promoter(s):
-
Project #1801948

Issuer Name:
New Age (African Global Energy) Limited
Principal Regulator - Alberta
Type and Date:
Preliminary Long Form Prospectus dated September 15, 2011
NP 11-202 Receipt dated September 16, 2011
Offering Price and Description:
$ * - * Ordinary Shares Price: $ * per Ordinary Share
Underwriter(s) or Distributor(s):
BMO NESBITT BURNS INC.
MACQUARIE CAPITAL MARKETS CANADA LTD.
CANACCORD GENUITY CORP.
SCOTIA CAPITAL INC.
Promoter(s):
Stephen Lowden
Project #1802740

Issuer Name:
Silk Road Energy Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary CPC Prospectus dated September 16, 2011
NP 11-202 Receipt dated September 20, 2011
Offering Price and Description:
$1,000,000.00 to $2,000,000.00 - 10,000,000 to 20,000,000 Common Shares Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Mackie Research Capital Corporation
Promoter(s):
Zulfikar Rashid
Project #1803650

Issuer Name:
Superior Plus Corp.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated September 19, 2011
NP 11-202 Receipt dated September 20, 2011
Offering Price and Description:
$75,000,000.00 - 7.50% Convertible Unsecured Subordinated Debentures
Underwriter(s) or Distributor(s):
CIBC WORLD MARKETS INC.
BMO NESBITT BURNS INC.
NATIONAL BANK FINANCIAL INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
CORMARK SECURITIES INC.
Promoter(s):
-
Project #1803385

Issuer Name:
Transeuro Energy Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated September 16, 2011
NP 11-202 Receipt dated September 19, 2011
Offering Price and Description:
15,000,198 -OFFERING OF UP TO 91,702,265 RIGHTS TO SUBSCRIBE FOR UP TO 166,668,866
COMMON SHARES AT A SUBSCRIPTION PRICE OF $0.09 PER COMMON
SHARE
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1803074

Issuer Name:
Trevali Mining Corporation
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated September 20, 2011
NP 11-202 Receipt dated September 20, 2011
Offering Price and Description:
$40,000,000.00 -* % Convertible Senior Unsecured Debentures Due ●, 2016
Price: $1,000.00 per Debenture
Underwriter(s) or Distributor(s):
Raymond James Ltd.
Promoter(s):
Mark Cruise
Project #1803837

Issuer Name:
ZADAR VENTURES LTD.
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated September 14, 2011
NP 11-202 Receipt dated September 20, 2011
Offering Price and Description:
$550,000.00 - 2,200,000 COMMON SHARES (THE "OFFERED SHARES") AT A PRICE OF $0.25 PER SHARE
Underwriter(s) or Distributor(s):
WOLVERTON SECURITIES LTD.
Promoter(s):
MARK TOMMASI
PETER WILSON
JOHN ROOZENDAAL
Project #1803435

Issuer Name:
Aumento Capital II Corporation
Principal Regulator - Ontario
Type and Date:
Final CPC Prospectus dated September 15, 2011
NP 11-202 Receipt dated September 16, 2011
Offering Price and Description:
Minimum of $400,000.00 - 2,000,000 Common Shares
Maximum of $600,000.00 - 3,000,000 Common Shares
Price: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Promoter(s):
David Danziger
Project #1787818

Issuer Name:
Aumento Capital III Corporation
Principal Regulator - Ontario
Type and Date:
Final CPC Prospectus dated September 15, 2011
NP 11-202 Receipt dated September 16, 2011
Offering Price and Description:
Minimum of $400,000.00 - 2,000,000 Common Shares;
Maximum of $600,000.00 - 3,000,000 Common Shares
Price: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Promoter(s):
David Danziger
Project #1787827

Issuer Name:
Banro Corporation
Type and Date:
Final Base Shelf Prospectus dated September 15, 2011
Receipted on September 16, 2011
Offering Price and Description:
U.S.$9,467,200.60 - 4,303,273 Common Shares Issuable on Exercise of Outstanding Warrants Per Warrant Share U.S.$ 2.20
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1800433

Issuer Name:
Crescent Point Energy Corp.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated September 14, 2011
NP 11-202 Receipt dated September 14, 2011
Offering Price and Description:
$375,187,500.00 - 8,625,000 Common Shares $43.50 per Common Share
Underwriter(s) or Distributor(s):
BMO NESBITT BURNS INC.
CIBC WORLD MARKETS INC.
SCOTIA CAPITAL INC.
RBC DOMINION SECURITIES INC.
FIRSTENERGY CAPITAL CORP.
TD SECURITIES INC.
NATIONAL BANK FINANCIAL INC.
GMP SECURITIES L.P.
MACQUARIE CAPITAL MARKETS CANADA LTD.
PETERS & CO. LIMITED
Promoter(s):
-
Project #1800032

Issuer Name:
Dynamic Alternative Yield Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated September 15, 2011
NP 11-202 Receipt dated September 19, 2011
Offering Price and Description:
Series A, F, FH, H, IP, O and OP Units
Underwriter(s) or Distributor(s):
Goodman & Company, Investment Counsel Ltd.
Promoter(s):
Goodman & Company, Investment Counsel Ltd.
Project #1778060

Issuer Name:
Series A, Series B and Series F Securities (unless otherwise indicated) of:
Fidelity Canadian Large Cap Class
(also Series T5, Series T8, Series S5 and Series S8 Shares)
(Classes of Fidelity Capital Structure Corp.)
Fidelity Monthly Income Class
(formerly Fidelity Equity and Income Class)
(also Series T5, Series T8, Series S5, Series S8, Series F5 and Series F8 Shares)
(Classes of Fidelity Capital Structure Corp.)
Fidelity Canadian Bond Capital Yield Fund
(also Series O, Series T5, Series S5 and Series F5 Units)
Fidelity American High Yield Capital Yield Fund
(also Series O, Series T5, Series S5 and Series F5 Units)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated September 19, 2011
NP 11-202 Receipt dated September 20, 2011
Offering Price and Description:
Series A, Series B, Series F, Series O, Series F5, Series S5, Series T5, Series F8, Series T8 and Series S8 Securities @ Net Asset Value
Underwriter(s) or Distributor(s):
Fidelity Investments Canada ULC
Promoter(s):
Fidelity Investments Canada ULC
Project #1780845

Issuer Name:
Forte Resources Inc.
Principal Regulator - British Columbia
Type and Date:
Final CPC Prospectus dated September 14, 2011
NP 11-202 Receipt dated September 15, 2011
Offering Price and Description:
$200,000.00 - 2,000,000 Common Shares (the "Common Shares") at $0.10 per Common Share
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Promoter(s):
Gunther Roehlig
Project #1761664

Issuer Name:
Franco-Nevada Corporation
Principal Regulator - Ontario
Type and Date:
Final Base Shelf Prospectus dated September 15, 2011
NP 11-202 Receipt dated September 15, 2011
Offering Price and Description:
C$1,000,000,000.00:
Common Shares
Preferred Shares
Debt Securities
Warrants
Subscription Receipts
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1800077

Issuer Name:
Just Energy Group Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated September 15, 2011
NP 11-202 Receipt dated September 16, 2011
Offering Price and Description:
$100,000,000.00 - 5.75% Convertible Unsecured Subordinated Debentures Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
CIBC WORLD MARKETS INC.
NATIONAL BANK FINANCIAL INC.
RBC DOMINION SECURITIES INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
HAYWOOD SECURITIES INC.
JACOB SECURITIES INC.
Promoter(s):
-
Project #1800015

Issuer Name:
Mutual Fund Series Units of Norrep Fund
and
Mutual Fund Series, Series F and Series I Shares of:
Norrep II Class
Norrep All Cap Quant Class
Norrep US Class
Norrep Global Class
Norrep Resource Class
Norrep High Yield Class and
Norrep Global Income Growth Class
Each of Norrep Opportunities Corp.
and
Respecting Mutual Fund Series, Series F, Series I and Series O Shares of:
Norrep Entrepreneurs Class of Norrep Opportunities Corp.
and
Respecting Mutual Fund Series, Series F, Series I and Series B Shares of:
Norrep Income Growth Class of Norrep Opportunities Corp.
Principal Regulator - Alberta
Type and Date:
Amended and Restated Simplified Prospectuses of the above Issuers dated September 15, 2011 (the amended prospectus), amending and restating the Simplified Prospectuses dated June 13, 2011, amending and restating the Simplified Prospectuses dated May 3, 2011
NP 11-202 Receipt dated September 16, 2011
Offering Price and Description:
Mutual Fund Series Units, Mutual Fund Series, Series F, I, O and B Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
Norrep Inc.
Project #1714910; 1788073

Issuer Name:
Pinecrest Energy Inc.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated August 16, 2011
NP 11-202 Receipt dated September 16, 2011
Offering Price and Description:
$60,000,000.00 - 25,000,000 Common Shares Price: $2.40 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Cormark Securities Inc.
GMP Securities L.P.
Peters & Co. Limited
Paradigm Capital Inc.
Scotia Capital Inc.
Promoter(s):
-
Project #1782661

Issuer Name:
Russell Focused US Equity Pool (Series A, B, E, F and O units)
Russell Focused US Equity Class (Series B, E and F shares)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated September 12, 2011
NP 11-202 Receipt dated September 14, 2011
Offering Price and Description:
Series A, B, E, F and O units
Underwriter(s) or Distributor(s):
Russell Investments Canada Limited
Promoter(s):
Russell Investments Canada Limited
Project #1786250

Issuer Name:
Taggart Capital Corp.
Type and Date:
Final CPC Prospectus dated September 14, 2011
Receipted on September 15, 2011
Offering Price and Description:
Minimum of $400,000.00 - 2,000,000 Common Shares; Maximum of $600,000.00 - 3,000,000 Common Shares Price: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Promoter(s):
John FitzGerald
Project #1744679

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Macquarie Infrastructure And Real Assets (Sales) Canada Ltd.	Exempt Market Dealer	September 14, 2011
New Registration	Ascendant Securities Inc.	Investment Dealer	September 15, 2011
Change in Registration Category	Henley Capital Corporation	From: Exempt Market Dealer To: Exempt Market Dealer and Portfolio Manager	September 16, 2011
Change of Name	From: Saguenay Capital, LLC To: Saguenay Strathmore Capital, LLC	Exempt Market Dealer Portfolio Manager	September 16, 2011
New Registration	Sophos Capital Corp.	Exempt Market Dealer	September 16, 2011
New Registration	Return on Innovation Management Ltd.	Investment Fund Manager	September 19, 2011
New Registration	Vanguard Investments Canada Inc.	Portfolio Manager, Investment Fund Manager and Commodity Trading Manager	September 20, 2011

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Chapter 13

SROs, Marketplaces and Clearing Agencies

13.2 Marketplaces

13.2.1 Alpha ATS LP – Notice of Proposed Changes and Request for Feedback – New DAO Order Designations, Elimination of All or None Order, and Changes to Mixed Lot Order Handling

ALPHA ATS LP

NOTICE OF PROPOSED CHANGES AND REQUEST FOR FEEDBACK

NEW DAO ORDER DESIGNATIONS, ELIMINATION OF ALL OR NONE ORDER, AND CHANGES TO MIXED LOT ORDER HANDLING

Alpha ATS LP has announced its plans to implement the three changes described below in Q4 2011. It is publishing this Notice of Proposed Changes in accordance with the requirements set out in OSC Staff Notice 21-703 - *Transparency of the Operations of Stock Exchanges and Alternative Trading Systems*. Pursuant to OSC Staff Notice 21-703, market participants are invited to provide the Commission with feedback on the proposed changes.

Feedback on the proposed changes should be in writing and submitted by **October 24, 2011** to:

Market Regulation Branch
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Fax (416) 595-8940
Email: marketregulation@osc.gov.on.ca

And to:

Randee Pavalow
Head of Operations and Legal
Alpha ATS LP
70 York Street, suite 1501
Toronto, ON M5J 1S9
Email: randee.pavalow@alphatradingsystems.ca

Feedback received will be made public on the OSC website. Upon completion of the review by OSC staff, and in the absence of any regulatory concerns, notice will be published to confirm the completion of Commission staff's review and to outline the intended implementation date of the changes.

ALPHA ATS LP
NOTICE OF PROPOSED CHANGES

Alpha ATS LP has announced its plans to implement the three changes described below in Q4 2011. It is publishing this Notice of Proposed Changes in accordance with the requirements set out in OSC Staff Notice 21-703.

Any questions regarding these changes should be addressed to Randee Pavalow, Head of Operations and Legal, Alpha ATS LP: randee.pavalow@alpha-group.ca, T: 647-259-0420

1. Alpha plans to introduce two new designations to provide price protection for DAO orders. The "Protect Cancel" order and "Protect Reprice" order.

Description of Proposed Changes and Reasons for Changes

Alpha plans on introducing two new order designations. When the Protect Cancel DAO designation is placed on an order, once that order is sent to Alpha it will execute, to the extent possible, at the NBBO before cancelling any residual volume that would cause a trade at a worse price than available on another marketplace, or unintentionally lock/cross the market.

Secondly, when the Protect Re-price DAO order designation is placed on an order, once that order is sent to Alpha it will execute, to the extent possible, at the NBBO before adjusting the price of any residual volume that would cause a trade at a worse price than available on another marketplace or unintentionally lock/cross the market. Orders will be re-priced to one tick from the opposite of the NBBO (NBO-1 for buy orders and NBB+1 for sell orders).

Expected Impact of the changes

These will be new order designation available to all subscribers. These new order designations are intended to reduce instances of unintentional locked or crossed markets and trades at worse prices than available on other marketplaces.

Consultations

Alpha received requests for these new order designations from its Subscribers.

Current implementation of changes in the Canadian marketplace and any alternatives considered

Similar designations are currently available in the Canadian capital markets. Note: Alpha DAO designations "Protect Reprice" and "Protect Cancel" correspond to TMX "OPR reprice" and "OPR cancel" respectively.

2. Elimination of All or Non Orders on Alpha

Description of Proposed Changes and Reasons for Changes

To address regulatory questions raised regarding non-protected order types on Alpha, AON orders will no longer be accepted by Alpha.

Expected Impact of the changes

Alpha subscribers that send AON orders have been contacted regarding the removal of support for AON orders.

Consultations

Due to the regulatory questions surrounding AON orders, subscribers have expressed very little demand for this order type. In the U.S, AON orders are not subject to order protection. A different regulatory requirement in Canada makes the use of AON orders impractical.

Current implementation of changes in the Canadian marketplace and any alternatives considered

AON orders are not supported by TMX, Pure, or Omega.

3. Securities with no odd lot dealer – mixed lot handling

Description of Proposed Changes and Reasons for Changes

Alpha will now accept mixed lot orders and execute the board lot quantity, to the extent possible, then cancel any remainder back to client with message: "No odd lot trader defined for instrument. Only round lot can be booked".

Currently, Alpha rejects mixed lot orders where there is no odd lot dealer for that security, creating an opportunity for a trade at a worse price on another marketplace where Alpha has the best price.

Expected Impact of the changes

This change will improve the handling of mixed lot orders where a security has no odd lot dealer (e.g. debentures). Subscribers will manage any cancelled portion of a mixed lot order (similar to the handling of FOK orders).

Consultations

Rejecting the round lot portion of a mixed lot order can potentially create an opportunity for a trade at a worse price on another marketplace where Alpha has the best price. Alpha received requests from its Subscribers to make this change.

Current implementation of changes in the Canadian marketplace and any alternatives considered

These proposed changes will make the handling of mixed lot orders similar to other marketplaces in the Canadian capital markets.

13.3 Clearing Agencies

13.3.1 FundSERV Inc. – Notice of Commission Order – Application for Variation and Restatement of FundSERV's Interim Order

FUNDSERV INC. (FUNDSERV)

APPLICATION FOR VARIATION AND RESTATEMENT OF FUNDSERV's INTERIM ORDER

NOTICE OF COMMISSION ORDER

On August 30, 2011, the Commission issued an order under section 144 of the *Securities Act* (Ontario) (Act) varying and restating the interim order exempting FundSERV from the requirement in subsection 21.2(0.1) of the Act to be recognized as a clearing agency (Order). The Order extends FundSERV's interim exemption. FundSERV is exempted from the requirement until the earlier of (i) May 1, 2012, and (ii) the effective date of the Subsequent Order (as defined in the Order).

A copy of the Order is published in Chapter 2 of this Bulletin.

Chapter 25

Other Information

25.1 Approvals

25.1.1 Leon Frazer & Associates Inc. – s. 213(3)(b) of the LTCA

Headnote

Clause 213(3)(b) of the Loan and Trust Corporations Act – application by manager, with no prior track record acting as trustee, for approval to act as trustee of pooled funds and future pooled funds to be managed by the applicant and offered pursuant to a prospectus exemption.

Statutes Cited

Loan and Trust Corporations Act, R.S.O. 1990, c. L.25, as am., s. 213(3)(b).

September 13, 2011

Fasken Martineau DuMoulin LLP
Stock Exchange Tower
Suite 3700, P.O. Box 242
800 Place Victoria
Montreal, PQ H4Z 1E9

Attention: Pierre-Yves Chatillon

Dear Sirs/Medames:

Re: Leon Frazer & Associates Inc. (the "Applicant")

Application pursuant to clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario) for approval to act as trustee

Application No. 2011/0378

Further to your application dated May 11, 2011 (the "Application") filed on behalf of the Applicant, and based on the facts set out in the Application and the representation by the Applicant that the assets of Leon Frazer Small Cap Pooled Fund and Leon Frazer Dividend Income Pooled Fund and any other future mutual fund trusts that the Applicant may establish and manage from time to time will be held in the custody of a trust company incorporated and licensed or registered under the laws of Canada or a jurisdiction, or a bank listed in Schedule I, II or III of the *Bank Act* (Canada), or an affiliate of such bank or trust company, the Ontario Securities Commission (the "Commission") makes the following order.

Pursuant to the authority conferred on the Commission in clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario), the Commission approves the proposal that the Applicant act as trustee of Leon Frazer Small Cap Pooled Fund and Leon Frazer Dividend Income Pooled Fund and any other future mutual fund trusts which may be established and managed by the Applicant from time to time, the securities of which will be offered pursuant to prospectus exemptions.

Yours truly,

"James D. Carnwath"

"Wes M. Scott"

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