

The Ontario Securities Commission

OSC Bulletin

May 24, 2012

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

The Ontario Securities Commission

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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

May 24, 2012

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

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

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
Suite 1700, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

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Edward P. Kerwin	—	EPK
Vern Krishna	—	VK
Christopher Portner	—	CP
Judith N. Robertson	—	JNR
Charles Wesley Moore (Wes) Scott	—	CWMS

SCHEDULED OSC HEARINGS

May 28-29, May 31 – June 1, June 8, June 20 and June 22, 2012

Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fund and Roy Brown (a.k.a. Roy Brown-Rodrigues)

10:00 a.m. s. 127 and 127.1

May 30, 2012 D. Ferris in attendance for Staff

9:00 a.m. Panel: VK/MCH

May 29 – June 1, 2012

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"

10:00 a.m.

s. 127

B. Shulman in attendance for Staff

Panel: MGC/SOA/PLK

May 30, 2012 **Nicholas David Reeves**

10:00 a.m. s. 127

J. Feasby in attendance for Staff

Panel: EPK

May 30, 2012 **David Charles Phillips**

2:30 p.m. s. 127

Y. Chisholm in attendance for Staff

Panel: EPK

June 4, 2012
9:30 a.m.

Morgan Dragon Development Corp., John Cheong (aka Kim Meng Cheong), Herman Tse, Devon Ricketts and Mark Griffiths

s. 127

J. Feasby in attendance for Staff

Panel: EPK

June 4 and
June 6, 2012
10:00 a.m.

Nest Acquisitions and Mergers, IMG International Inc., Caroline Myriam Frayssignes, David Pelcowitz, Michael Smith, and Robert Patrick Zuk

s. 37, 127 and 127.1

C. Price in attendance for Staff

Panel: JDC/MCH

June 5, 2012
Abel Da Silva

2:00 p.m.
s. 127

C. Watson in attendance for Staff

Panel: JDC

June 7, 2012
2:30 p.m.

Systematech Solutions Inc., April Vuong and Hao Quach

s. 127

J. Feasby in attendance for Staff

Panel: EPK

June 8, 2012
10:00 a.m.

Richvale Resource Corp., Marvin Winick, Howard Blumenfeld, John Colonna, Pasquale Schiavone, and Shafi Khan

s. 127(7) and 127(8)

J. Feasby in attendance for Staff

Panel: EPK

June 11, 2012
9:00 a.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

June 18 and
June 20-22,
2012
10:00 a.m.

Shallow Oil & Gas Inc., Eric O'Brien, Abel Da Silva and Abraham Herbert Grossman aka Allen Grossman and Kevin Wash

s. 127

S. Schumacher in attendance for Staff

Panel: PLK

June 21, 2012
10:00 a.m.

M P Global Financial Ltd., and Joe Feng Deng

s. 127 (1)

M. Britton in attendance for Staff

Panel: MCH

June 22, 2012
10:00 a.m.

New Hudson Television Corporation, New Hudson Television L.L.C. & James Dmitry Salganov

s. 127

C. Watson in attendance for Staff

Panel: EPK

July 5, 2012
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: MGC

July 12, 2012 10:00 a.m.	Sino-Forest Corporation, Allen Chan, Albert Ip, Alfred C.T. Hung, George Ho and Simon Yeung s. 127 H. Craig in attendance for Staff Panel: MGC	August 1, 2012 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 J. Lynch/S. Chandra in attendance for Staff Panel: JDC
July 12, 2012 10:00 a.m.	Sino-Forest Corporation, Allen Chan, Albert Ip, Alfred C.T. Hung, George Ho, Simon Yeung and David Horsley s. 127 H. Craig in attendance for Staff Panel: MGC	August 7-13, August 15-16 and August 21, 2012 10:00 a.m.	Irwin Boock, Stanton Defreitas, Jason Wong, Saudia Allie, Alena Dubinsky, Alex Khodjaiaants, 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 D. Campbell in attendance for Staff Panel: VK
July 16, 2012 10:00 a.m.	Shane Suman and Monie Rahman s. 127 and 127(1) C. Price in attendance for Staff Panel: JEAT/PLK		
July 18, 2012 10:30 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: CP		
July 18, 19, 20 and 23, 2012 10:00 a.m.	Crown Hill Capital Corporation and Wayne Lawrence Pushka s. 127 A. Perschy/A. Pelletier in attendance for Staff Panel: JEAT/CP/JNR	August 15 and 16, 2012 10:00 a.m.	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: MGC

September 4-10, September 12-14, September 19-24, and September 26 – October 5, 2012	Portus Alternative Asset Management Inc., Portus Asset Management Inc., Boaz Manor, Michael Mendelson, Michael Labanowich and John Ogg	October 11, 2012	New Solutions Capital Inc., New Solutions Financial Corporation, New Solutions Financial (II) Corporation, New Solutions Financial (III) Corporation, New Solutions Financial (VI) Corporation and Ron Ovenden
10:00 a.m.	s. 127 H Craig in attendance for Staff Panel: TBA	9:00 a.m.	s. 127 S. Horgan in attendance for Staff Panel: TBA
September 5, 2012	Vincent Ciccone and Cabo Catoche Corp. (a.k.a. Medra Corp. and Medra Corporation)	October 19, 2012	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
10:00 a.m.	s. 127 M. Vaillancourt in attendance for Staff Panel: TBA	10:00 a.m.	s. 127 C. Watson in attendance for Staff Panel: PLK
September 5-10, September 12-14 and September 19-21, 2012	Vincent Ciccone and Medra Corp.		
10:00 a.m.	s. 127 M. Vaillancourt in attendance for Staff Panel: TBA		
September 21, 2012	Oversea Chinese Fund Limited Partnership, Weizhen Tang and Associates Inc., Weizhen Tang Corp., and Weizhen Tang	October 22 and October 24 – November 5, 2012	MBS Group (Canada) Ltd., Balbir Ahluwalia and Mohinder Ahluwalia
10:00 a.m.	s. 127 and 127.1 H. Craig in attendance for Staff Panel: TBA	10:00 a.m.	s. 37, 127 and 127.1 C. Rossi in attendance for staff Panel: TBA
September 24, September 26 – October 5 and October 10-19, 2012	New Found Freedom Financial, Ron Deonarine Singh, Wayne Gerard Martinez, Pauline Levy, David Whidden, Paul Swaby and Zompas Consulting	October 22, October 24-31, November 1-2, November 7-14, 2012	Peter Sbaraglia
10:00 a.m.	s. 127 A. Heydon in attendance for Staff Panel: TBA	10:00 a.m.	s. 127 J. Lynch in attendance for Staff Panel: TBA

October 31 – November 5, November 7-9, December 3, December 5-17 and December 19, 2012	Rezwealth Financial Services Inc., Pamela Ramoutar, Justin Ramoutar, Tiffin Financial Corporation, Daniel Tiffin, 2150129 Ontario Inc., Sylvan Blackett, 1778445 Ontario Inc. and Willoughby Smith	January 7 – February 5, 2013	Jowdat Waheed and Bruce Walter
10:00 a.m.	s. 127(1) and (5) A. Heydon in attendance for Staff Panel: TBA	10:00 a.m.	s. 127 J. Lynch in attendance for Staff Panel: TBA
November 5, 2012	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.	January 23-25 and January 30-31, 2013	Sage Investment Group, C.A.D.E Resources Group Inc., Greenstone Financial Group, Fidelity Financial Group, Antonio Carlos Neto David Oliveira, and Anne Marie Ridley
10:00 a.m.	s. 127 B. Shulman in attendance for Staff Panel: TBA	10:00 a.m.	s. 127 C. Watson in attendance for Staff Panel: TBA
November 12-19 and November 21, 2012	Sandy Winick, Andrea Lee McCarthy, Kolt Curry, Laura Mateyak, Gregory J. Curry, American Heritage Stock Transfer Inc., American Heritage Stock Transfer, Inc., BFM Industries Inc., Liquid Gold International Inc., and Nanotech Industries Inc.	TBA	Yama Abdullah Yaqeen s. 8(2) J. Superina in attendance for Staff Panel: TBA
10:00 a.m.	s. 127 J. Feasby 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
November 21 – December 3 and December 5-14, 2012	Bernard Boily s. 127 and 127.1 M. Vaillancourt/U. Sheikh in attendance for Staff Panel: TBA	TBA	Frank Dunn, Douglas Beatty, Michael Gollogly s. 127 K. Daniels in attendance for Staff Panel: TBA

TBA	<p>MRS Sciences Inc. (formerly Morningside Capital Corp.), Americo DeRosa, Ronald Sherman, Edward Emmons and Ivan Cavric</p> <p>s. 127 and 127(1)</p> <p>D. Ferris in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p>Uranium308 Resources Inc., Michael Friedman, George Schwartz, Peter Robinson, and Shafi Khan</p> <p>s. 127</p> <p>H. Craig/C.Rossi in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p>Gold-Quest International, 1725587 Ontario Inc. carrying on business as Health and Harmony, Harmony Club Inc., Donald Iain Buchanan, Lisa Buchanan and Sandra Gale</p> <p>s. 127</p> <p>H. Craig in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p>Paul Donald</p> <p>s. 127</p> <p>C. Price in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p>Gold-Quest International, Health and Harmony, Iain Buchanan and Lisa Buchanan</p> <p>s. 127</p> <p>H. Craig in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p>Axxess Automation LLC, Axxess Fund Management, LLC, Axxess 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</p> <p>s. 127</p> <p>Y. Chisholm in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p>Brilliant Brasilcan Resources Corp., York Rio Resources Inc., Brian W. Aidelman, Jason Georgiadis, Richard Taylor and Victor York</p> <p>s. 127</p> <p>H. Craig in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p>FactorCorp Inc., FactorCorp Financial Inc. and Mark Twerdun</p> <p>s. 127</p> <p>C. Price in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p>Paul Azeff, Korin Bobrow, Mitchell Finkelstein, Howard Jeffrey Miller and Man Kin Cheng (a.k.a. Francis Cheng)</p> <p>s. 127</p> <p>T. Center/D. Campbell in attendance for Staff</p> <p>Panel: TBA</p>		

TBA	<p>2196768 Ontario Ltd carrying on business as Rare Investments, Ramadhar Dookhie, Adil Sunderji and Evgueni Todorov</p> <p>s. 127</p> <p>D. Campbell in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p>Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton</p> <p>s. 127</p> <p>H. Craig in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p>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</p> <p>s. 127</p> <p>H. Craig/C. Watson in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p>David M. O'Brien</p> <p>s. 37, 127 and 127.1</p> <p>B. Shulman in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p>Innovative Gifting Inc., Terence Lushington, Z2A Corp., and Christine Hewitt</p> <p>s. 127</p> <p>M. Vaillancourt in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p>Ground Wealth Inc., Armadillo Energy Inc., Paul Schuett, Doug DeBoer, James Linde, Susan Lawson, Michelle Dunk, Adrion Smith, Bianca Soto and Terry Reichert</p> <p>s. 127</p> <p>S. Schumacher in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p>Simply Wealth Financial Group Inc., Naida Allarde, Bernardo Giangrosso, K&S Global Wealth Creative Strategies Inc., Kevin Persaud, Maxine Lobban and Wayne Lobban</p> <p>s. 127 and 127.1</p> <p>C. Johnson in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p>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</p> <p>s. 127 and 127.1</p> <p>D. Ferris in attendance for Staff</p> <p>Panel: TBA</p>

TBA	<p>Eda Marie Agueci, Dennis Wing, Santo Iacono, Josephine Raponi, Kimberley Stephany, Henry Fiorillo, Giuseppe (Joseph) Fiorini, John Serpa, Ian Telfer, Jacob Gornitzki and Pollen Services Limited</p> <p>s. 127</p> <p>J, Waechter/U. Sheikh in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p>Energy Syndications Inc. Green Syndications Inc. , Syndications Canada Inc., Daniel Strumos, Michael Baum and Douglas William Chaddock</p> <p>s. 127</p> <p>C. Johnson in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p>Empire Consulting Inc. and Desmond Chambers</p> <p>s. 127</p> <p>D. Ferris in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p>Alexander Christ Doulis (aka Alexander Christos Doulis, aka Alexandros Christodoulidis) and Liberty Consulting Ltd.</p> <p>s. 127</p> <p>S. Horgan in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p>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</p> <p>s. 127</p> <p>J. Feasby in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p>Bunting & Waddington Inc., Arvind Sanmugam, Julie Winget and Jenifer Brekelmans</p> <p>s. 127</p> <p>S. Schumacher in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p>Shaun Gerard McErlean, Securus Capital Inc., and Acquiesce Investments</p> <p>s. 127</p> <p>M. Britton in attendance for Staff</p> <p>Panel: VK/JDC</p>	TBA	<p>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</p> <p>s. 37, 127 and 127.1</p> <p>C. Watson in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p>Moncasa Capital Corporation and John Frederick Collins</p> <p>s. 127</p> <p>T. Center in attendance for Staff</p> <p>Panel: TBA</p>		

TBA **Colby Cooper Capital Inc.
Colby Cooper Inc., Pac West
Minerals Limited John Douglas
Lee Mason**

s. 127

B. Shulman in attendance for Staff

Panel: TBA

TBA **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: TBA

TBA **Beryl Henderson**

s. 127

S. Schumacher in attendance for Staff

Panel: TBA

TBA **Ciccone Group, Cabo Catoche
Corp. (a.k.a Medra Corp. and
Medra Corporation), 990509
Ontario Inc.,
Tadd Financial Inc., Cachet
Wealth Management Inc., Vincent
Ciccone
(a.k.a. Vince Ciccone), Darryl
Brubacher, Andrew J Martin,
Steve Haney, Klaudiusz
Malinowski
and Ben Giangrosso**

s. 127

M. Vaillancourt in attendance for Staff

Panel: TBA

TBA **International Strategic
Investments, International
Strategic Investments
Inc., Somin Holdings Inc., Nazim
Gillani and Ryan J. Driscoll.**

s. 127

C. Watson in attendance for Staff

Panel: TBA

TBA **Frank Andrew Devcich and
Gobinder Kular Singh**

s. 127

J. Feasby in attendance for Staff

Panel: TBA

TBA **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: 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
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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. Boulton and Peter Y. Atkinson**

1.2 Notices of Hearing

1.2.1 Sino-Forest Corporation et al. – ss. 127, 127.1

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

AND

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

**NOTICE OF HEARING
(Sections 127 and 127.1)**

TAKE NOTICE that the Commission will hold a hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5 as amended (the "Act") at the offices of the Ontario Securities Commission located at 20 Queen Street West, 17th Floor, on July 12th, 2012 at 10:00 am or as soon thereafter as the hearing can be held;

AND TAKE NOTICE that the purpose of the hearing is to consider whether, in the Commission's opinion, it is in the public interest for the Commission to make an order:

- (a) pursuant to subsections 127(7) and (8) of the Act to continue the Temporary Order originally made on August 26, 2011 by the Commission against Sino-Forest Corporation ("Sino-Forest"), Allen Chan ("Chan"), Albert Ip ("Ip"), Alfred Hung ("Hung"), George Ho ("Ho") and Simon Yeung ("Yeung") until the end of the hearing on the merits in this matter or for such period as is specified by the Commission;
- (b) pursuant to clause 2 of subsection 127(1) of the Act that trading in any securities of Sino-Forest cease permanently;
- (c) pursuant to clause 2 of subsection 127(1) of the Act that trading in any securities by Sino-Forest, Chan, Ip, Hung, Ho, Yeung and David Horsley ("Horsley") (together, the "Respondents") cease permanently;
- (d) pursuant to clause 2.1 of subsection 127(1) of the Act that the acquisition of any securities by the Respondents be permanently prohibited;
- (e) pursuant to clause 3 of subsection 127(1) of the Act that any or all exemptions contained in Ontario securities law do not apply to the Respondents permanently;
- (f) pursuant to clause 6 of subsection 127(1) of the Act that the Respondents be reprimanded;
- (g) pursuant to clauses 7, 8.1 and 8.3 of subsection 127(1) of the Act that Chan, Ip, Hung, Ho, Yeung and Horsley resign all positions which they hold as an officer or director of any issuer, of any registrant or of any investment fund manager;
- (h) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the Act that Chan, Ip, Hung, Ho, Yeung and Horsley be permanently prohibited from becoming or acting as an officer or director of any issuer, of any registrant or of any investment fund manager;
- (i) pursuant to clause 8.5 of subsection 127(1) of the Act that Chan, Ip, Hung, Ho, Yeung and Horsley be permanently prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter;
- (j) pursuant to clause 9 of subsection 127(1) of the Act that the Respondents each pay an administrative penalty of not more than \$1 million for each failure by that Respondent to comply with Ontario securities law;
- (k) pursuant to clause 10 of subsection 127(1) of the Act that the Respondents disgorge to the Commission any amounts obtained as a result of non-compliance with Ontario securities law;

- (l) pursuant to section 127.1 of the Act that the Respondents pay the costs of the Commission's investigation and the costs of or related to any hearing before the Commission; and
- (m) to make such other order as the Commission may deem appropriate.

BY REASON OF the allegations set out in the Statement of Allegations dated May 22, 2012, and such additional allegations as counsel may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceeding may be represented by counsel 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 any further notice of the proceeding.

DATED at Toronto this 22nd day of May, 2012.

"John Stevenson"
Secretary to the Commission

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

AND

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

STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated May 22, 2012, Staff ("Staff") of the Ontario Securities Commission (the "Commission") make the following allegations:

PART I. OVERVIEW AND SUMMARY OF ALLEGATIONS

A. Sino-Forest

1. Sino-Forest Corporation ("Sino-Forest" or the "Company")¹ is a reporting issuer in the province of Ontario as that term is defined in subsection 1(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"). Until recently, the common shares of Sino-Forest were listed on the Toronto Stock Exchange ("TSX").
2. Sino-Forest purportedly engaged primarily in the purchase and sale of Standing Timber in the People's Republic of China (the "PRC").
3. From February of 2003 until October of 2010, Sino-Forest raised approximately \$3.0 billion (US)² in cash from the issuance of equity and debt securities to investors (the "Investors")³.
4. From June 30, 2006 to March 31, 2011, Sino-Forest's share price grew from \$5.75 (Can) to \$25.30 (Can), an increase of 340%.⁴ By March 31, 2011 Sino-Forest's market capitalization was well over \$6 billion.
5. In early June of 2011, the share price of Sino-Forest plummeted after a private analyst made allegations of fraud against Sino-Forest.
6. On November 15, 2011, Sino-Forest announced that it was deferring the release of its interim financial report for the third quarter of 2011.⁵ Sino-Forest has never filed this interim financial report with the Commission.
7. On January 10, 2012, Sino-Forest issued a news release cautioning that its historic financial statements and related audit reports should not be relied upon.
8. Sino-Forest was required to file its 2011 audited annual financial statements with the Commission by March 30, 2012. That very day, Sino-Forest initiated proceedings in front of the Superior Court of Justice (Ontario) requesting protection from its creditors. Sino-Forest has never filed its 2011 audited annual financial statements with the Commission.
9. On April 4, 2012, the auditors of Sino-Forest resigned.
10. On May 9, 2012, the TSX delisted the shares of Sino-Forest.
11. As set out below, Sino-Forest and its former senior executives, including Allen Chan ("Chan"), Albert Ip ("Ip"), Alfred C.T. Hung ("Hung"), George Ho ("Ho") and Simon Yeung ("Yeung"), engaged in a complex fraudulent scheme to inflate the assets and revenue of Sino-Forest and made materially misleading statements in Sino-Forest's public disclosure record related to its primary business.

¹ Sino-Forest or the Company includes all of Sino-Forest's subsidiaries and companies that it controls as set out in its public disclosure record and as the context within this Statement of Allegations requires.

² Unless otherwise stated, all amounts presented in this Statement of Allegations and the attached Schedules are in United States Dollars.

³ The Glossary attached as Schedule A contains a list of certain of the defined terms used in the Statement of Allegations and the paragraph where they are located within the Statement of Allegations.

⁴ Attached as Schedule B is selected data from its audited annual financial statements for 2005 to 2010.

⁵ The financial year end of Sino-Forest is December 31.

12. Chan, former Chairman of the Board and Chief Executive Officer ("CEO") of Sino-Forest until August 28, 2011, also committed fraud in relation to Sino-Forest's purchase of a controlling interest in a company now known as Greenheart Group Limited ("Greenheart"). By concealing Chan's substantial interest in this transaction, Chan and Sino-Forest made materially misleading statements in Sino-Forest's public disclosure record.

13. Chan, Ip, Hung, Ho and Yeung (together, "Overseas Management") all materially misled Staff during the investigation of this matter.

14. David Horsley ("Horsley"), former Senior Vice President and Chief Financial Officer ("CFO") of Sino-Forest, did not comply with Ontario securities law and acted contrary to the public interest.

B. The Standing Timber Fraud

15. From June 30, 2006 until January 11, 2012 (the "Material Time"), Sino-Forest and Overseas Management engaged in numerous deceitful and dishonest courses of conduct (the "Standing Timber Fraud") that ultimately caused the assets and revenue derived from the purchase and sale of Standing Timber (that constituted the majority of Sino-Forest's business) to be fraudulently overstated, putting the pecuniary interests of Investors at risk contrary to Ontario securities law and contrary to the public interest.

16. The Standing Timber Fraud was primarily comprised of three elements:

- i) Sino-Forest dishonestly concealed its control over Suppliers, Als and other nominee companies in the BVI Network. Sino-Forest established a collection of "nominee"/"peripheral" companies that were controlled, on its behalf, by various "caretakers".⁶ Sino-Forest conducted a significant level of its business with these companies, the true economic substance of which was misstated in Sino-Forest's financial disclosure;
- ii) Sino-Forest falsified the evidence of ownership for the vast majority of its timber holdings by engaging in a deceitful documentation process. This dishonest process included the fraudulent creation of deceitful Purchase Contracts and Sales Contracts, including key attachments and other supplemental documentation. Sino-Forest then relied upon these documents to evidence the purported purchase, ownership and sale of Standing Timber in the BVI Model; and
- iii) Sino-Forest dishonestly concealed internal control weaknesses/failures that obscured the true nature of transactions conducted within the BVI Network and prevented the detection of the deceitful documentation process. Sino-Forest's statements in its public disclosure record regarding the extent of its internal control weaknesses were wholly inadequate and misleading.

17. Each of the above dishonest and deceitful courses of conduct by Sino-Forest and Overseas Management put the pecuniary interests of Investors at risk, constituting fraud. Together, these courses of conduct made the public disclosure record of Sino-Forest so misleading that it was fraudulent.

18. As set out in paragraph 47, the vast majority of the Sino-Forest's Standing Timber assets were held in the BVI Model. The available underlying documentation for these Standing Timber assets did not provide sufficient evidence of legal ownership of these assets. As of this date, Sino-Forest has not been able to confirm full legal ownership of the Standing Timber assets that it claims to hold in the BVI Model.

19. During the Material Time, Sino-Forest's auditors were not made aware of Sino-Forest's systematic practice of creating deceitful Purchase Contracts and Sales Contracts, including key attachments to these contracts.

20. The following are four illustrative examples of the fraudulent courses of conduct that Sino-Forest and Overseas Management perpetrated within the Standing Timber Fraud. These four examples, described in detail below, illustrate how Sino-Forest and Overseas Management materially inflated assets and revenue in Sino-Forest's public disclosure record:

- i) the Dacheng Fraud;
- ii) the 450,000 Fraud;
- iii) Gengma Fraud #1; and
- iv) Gengma Fraud #2.

⁶ These "nominee"/"peripheral" companies and "caretakers" are described in greater detail in paragraph 57.

21. Schedule C illustrates the primary elements of the Standing Timber Fraud as introduced in paragraph 16 and the fraudulently overstated revenue arising from the four illustrative examples introduced in the previous paragraph.

22. The allegations regarding the Standing Timber Fraud are set out in paragraphs 53 to 119 below.

C. Materially Misleading Statements Related to the Standing Timber Fraud

23. Given the three elements of the Standing Timber Fraud introduced in paragraph 16, the public disclosure record of Sino-Forest required by Ontario securities law was materially misleading, contrary to Ontario securities law and contrary to the public interest.

24. The assets and revenue recorded as a result of the Standing Timber Fraud caused Sino-Forest's public disclosure record, including its audited annual financial statements, annual information forms ("AIFs") and management's discussion and analysis ("MD&A"), to be materially misleading during the Material Time.

25. Sino-Forest's statements in its public disclosure, including its AIFs and its MD&A filed with the Commission during the Material Time, regarding the extent of its internal control weaknesses and deficiencies were wholly inadequate and misleading.

26. The allegations regarding these materially misleading statements related to the Standing Timber Fraud are set out in paragraphs 120 to 141 below.

D. The Greenheart Transaction – Fraud by Chan and Materially Misleading Statements by Chan and Sino-Forest

27. In 2010, following a complex series of transactions, Sino-Forest completed the purchase of a controlling interest in Greenheart, a public company listed on the Hong Kong Stock Exchange (the "Greenheart Transaction"). Greenheart holds natural forest concessions, mostly in Suriname.

28. Chan secretly controlled companies that received over \$22 million as a result of the purchase by Sino-Forest of this controlling interest in Greenheart. The Greenheart Transaction was significant to Sino-Forest's business and cost the Company approximately \$120 million.

29. Chan fraudulently concealed his involvement in the Greenheart Transaction and the substantial benefit he secretly received. Chan and Sino-Forest misled the public through Sino-Forest's continuous disclosure. Chan falsely certified the accuracy of Sino-Forest's AIFs for 2008, 2009 and 2010 as these documents did not disclose his interest in the Greenheart Transaction.

30. Chan's course of conduct relating to the Greenheart Transaction constituted fraud and the making of misleading statements, contrary to Ontario securities law and contrary to the public interest. Chan and Sino-Forest made materially misleading statements related to the Greenheart Transaction, contrary to Ontario securities law and contrary to the public interest.

31. The allegations regarding fraud and materially misleading statements related to the Greenheart Transaction are set out in paragraphs 142 to 154 below.

E. Overseas Management of Sino-Forest Misled Staff during the Investigation

32. During the investigation by Staff, numerous members of Sino-Forest's management were interviewed by Staff. Overseas Management materially misled Staff in their interviews, contrary to Ontario securities law and contrary to the public interest.

33. The allegations that Overseas Management materially misled Staff are set out in paragraphs 155 to 167 below.

PART II. THE RESPONDENTS

34. Sino-Forest is a Canadian company with its principal executive office located in Hong Kong and its registered office located in Mississauga, Ontario.

35. During the Material Time, as set out above, Chan was Chairman of the Board of Directors and CEO of Sino-Forest.

36. During the Material Time, Ip was Senior Vice President, Development and Operations North-east and South-west China of Sino-Forest.

37. During the Material Time, Hung was Vice-President, Corporate Planning and Banking of Sino-Forest.

38. During the Material Time, Ho was Vice-President, Finance (China) of Sino-Forest.

39. During the Material Time, Yeung was Vice President – Operation within the Operation /Project Management group of Sino-Panel (Asia) Inc. (“Sino-Panel”), a subsidiary of Sino-Forest.

40. During the Material Time, Horsley was Senior Vice President and CFO of Sino-Forest.

PART III. STANDING TIMBER – THE PRIMARY BUSINESS OF SINO-FOREST

A. Introduction

41. In its AIF for 2010, Sino-Forest stated that its operations were comprised of two core business segments which it titled “Wood Fibre Operations” and “Manufacturing and Other Operations”. Wood Fibre Operations had two subcomponents entitled “Plantation Fibre” and “Trading of Wood Logs”.

42. According to Sino-Forest, the Plantation Fibre subcomponent of its business was derived from the purported acquisition, cultivation and sale of either “standing timber” or “logs” in the PRC. For the purpose of this Statement of Allegations, the Plantation Fibre subcomponent of Sino-Forest’s business will be referred to as “Standing Timber” as most, if not all, of the revenue from the sale of Plantation Fibre was derived from the sale of “standing timber”.

B. Standing Timber – Sino-Forest’s Main Source of Revenue

43. From 2007 to 2010, Sino-Forest reported Standing Timber revenue totalling approximately \$3.56 billion, representing about 75% of its total revenue of \$4.77 billion. The following table provides a summary of Sino-Forest’s stated revenue for the period from 2007 to 2010 and illustrates the importance of the revenue derived from the sale of Standing Timber:

	<i>\$ (millions)</i>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
Plantation Fibre (defined as Standing Timber herein)	521.5	685.4	954.2	1,401.2	3,562.3
Trading of Wood Logs	154.0	153.5	237.9	454.0	999.4
<i>Wood Fibre Operations</i>	<i>675.5</i>	<i>838.9</i>	<i>1,192.1</i>	<i>1,855.2</i>	<i>4,561.7</i>
<i>Manufacturing and Other Operations</i>	<i>38.4</i>	<i>57.1</i>	<i>46.1</i>	<i>68.3</i>	<i>209.9</i>
Total Revenue	713.9	896.0	1,238.2	1,923.5	4,771.6

C. The BVI and WFOE Models - Revenue and Holdings

44. Standing Timber was purchased, held and sold by Sino-Forest in two distinct legal structures or models: the “BVI Model” and the “WFOE Model”.

45. In the BVI Model, Sino-Forest’s purchases and sales of Standing Timber in the PRC were conducted using wholly owned subsidiaries of Sino-Forest incorporated in the British Virgin Islands (the “BVI Subs”). The BVI Subs purported to enter into written purchase contracts (“Purchase Contracts”) with suppliers in the PRC (“Suppliers”) and then purported to enter into written sales contracts (“Sales Contracts”) with customers called “authorized intermediaries” in the PRC (“AIs”).

46. In the WFOE Model, Sino-Forest used subsidiaries incorporated in the PRC called Wholly Foreign Owned Enterprises (“WFOEs”) to acquire, cultivate and sell the Standing Timber. The Sino-Forest WFOEs also entered into Purchase Contracts and Sales Contracts with other parties in the PRC.

47. At December 31, 2010, Sino-Forest reported total timber holdings of \$3.1 billion comprising 799,700 hectares. About \$2.5 billion or approximately 80% of the total timber holdings (by value) was held in the BVI Model, comprising approximately 467,000 hectares of Standing Timber. The WFOE Model purportedly held approximately 97,000 hectares of Standing Timber valued at \$295.6 million or approximately 10% of the total timber holdings (by value). The timber holdings in the BVI Model and the WFOE Model comprised approximately 90% of the total timber holdings (by value) of Sino-Forest as at December 31, 2010.

48. The cash-flows associated with the purchase and sale of Standing Timber executed in the BVI Model took place “off-book” pursuant to a payables/receivables offsetting arrangement (the “Offsetting Arrangement”), whereby the BVI Subs would not directly receive the proceeds on the sale of Standing Timber from the purchasing AI. Rather, Sino-Forest disclosed that it

would direct the AI that purchased the timber to pay the sales proceeds to a new Supplier in order to buy additional Standing Timber. Consequently, Sino-Forest also did not make payment directly to Suppliers for purchases of Standing Timber.

49. Sino-Forest did not possess the bank records to confirm that these “off-book” cash-flows in the Offsetting Arrangement actually took place. This lack of transparency within the BVI Model meant that independent confirmation of these “off-book” cash-flows was reliant on the good faith and independence of Suppliers and AIs.

50. Further, pursuant to the terms of Sales Contracts entered into between a BVI Sub and an AI, the AI assumed responsibility for paying any PRC taxes associated with the sale that were owed by the BVI Sub. This obligation purportedly included paying the income tax and valued added tax on behalf of Sino-Forest.

51. Sino-Forest dealt with relatively few Suppliers and AIs in the BVI Model. For example, in 2010, six Suppliers accounted for 100% of the Standing Timber purchased in the BVI Model and five AIs accounted for 100% of Sino-Forest’s revenue generated in the BVI Model.

52. From 2007 to 2010, revenue from the BVI Model totalled \$3.35 billion, representing 94% of Sino-Forest’s reported Standing Timber revenue and 70% of Sino-Forest’s total revenue. The importance of the revenue from the BVI Model is demonstrated in the following table:

	<i>\$ (millions)</i>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
BVI Model Revenue	501.4	644.9	882.1	1,326.0	3,354.4
WFOE Model Revenue	20.1	40.5	72.1	75.2	207.9
Standing Timber Revenue	521.5	685.4	954.2	1,401.2	3,562.3
Total Revenue	713.9	896.0	1,238.2	1,923.5	4,771.6
BVI Model as % of Total Revenue	70%	72%	71%	69%	70%

PART IV. THE STANDING TIMBER FRAUD

53. As introduced in paragraph 16, the Standing Timber Fraud was primarily comprised of three elements:

- i) Undisclosed control over parties within the BVI Network;
- ii) The undisclosed dishonest process of creating deceitful Purchase Contracts and Sales Contracts and their key attachments used in both the BVI Model and the WFOE Model to inflate Standing Timber assets and revenue; and
- iii) Undisclosed internal control weaknesses/deficiencies that facilitated and concealed the fraudulent conduct within the BVI Network, and the dishonest creation of Purchase Contracts and Sales Contracts, including their key attachments.

54. On this basis, Sino-Forest then created transactions to fraudulently inflate assets and revenue in its public disclosure record.

A. Undisclosed Control over Parties within the BVI Network

55. Almost all of the buying and selling of Standing Timber in the BVI Model was generated through transactions between BVI Subs and a small number of Suppliers and AIs. Sino-Forest also conducted a significant level of this buying and selling with companies that are described in various Sino-Forest documents and correspondence as “peripheral” companies. Sino-Forest established a network of “nominee” companies that were controlled, on its behalf, by various so-called “caretakers”.

56. For the purpose of this Statement of Allegations, the BVI Subs, Suppliers, AIs, “nominee” companies and “peripheral” companies involved in the buying and selling of Standing Timber in the BVI Model are collectively referred to as the “BVI Network”. Some of the companies within the BVI Network were also involved in the buying and selling of Standing Timber within the WFOE Model.

57. One Sino-Forest document (the “Caretaker Company List”) lists more than 120 “peripheral” (nominee) companies that are controlled by 10 “caretakers” on behalf of Sino-Forest. The “caretakers” include Person #1 (legal representative of Huaihua

City Yuda Wood Ltd. ("Yuda Wood"), described in greater detail in paragraphs 61 to 65 below), Person #2 (a relative of Chan), Person #3 (a former Sino-Forest employee), Person #4 (an acquaintance of Chan and Chan's nominee in the Greenheart Transaction as outlined in paragraphs 145 to 147 below), Person #5 (a former shareholder of Greenheart Resources Holdings Limited ("GRHL") and a shareholder of Greenheart) and Person #6 (an individual associated with some of Sino-Forest's Suppliers).

58. The control and influence that Sino-Forest exerted over certain Suppliers, AIs and peripheral companies within the BVI Network brings the bona fides of numerous contracts entered into in the BVI Model into question, thereby placing the pecuniary interests of Investors at risk. Sino-Forest wielded this control and influence through Overseas Management. As well, certain transactions recorded in the BVI Model do not reflect the true economic substance of the underlying transactions. Sino-Forest's control of, or influence over, certain parties within the BVI Network was not disclosed to Investors.

59. Some of the counterparties to the Dacheng Fraud, the 450,000 Fraud, Gengma Fraud #1 and Gengma Fraud #2 are companies that are included in the Caretaker Company List, as outlined in more detail in paragraphs 90 to 115 below.

60. Sino-Forest did not disclose the true nature of the relationship between itself and the following two key companies in the BVI Network: Yuda Wood and Dongkou Shuanglian Wood Company Limited ("Dongkou"). This was dishonest.

1) Sino-Forest Controlled Yuda Wood, a Major Supplier

61. Yuda Wood was a Supplier secretly controlled by Sino-Forest during a portion of the Material Time.

62. From 2007 to 2010, Yuda Wood was purportedly Sino-Forest's largest Supplier, accounting for 18% of all purchases in the BVI Model. Sino-Forest claimed to have paid Yuda Wood approximately \$650 million during that time.

63. Yuda Wood was registered and capitalized by members of Overseas Management, who also controlled bank accounts of Yuda Wood and key elements of its business.

64. The legal representative of Yuda Wood is Person #1, a former employee of Sino-Forest and also a shareholder and director of Hong Kong Sonic Jita Engineering Co., Ltd. ("Sonic Jita"), the sole shareholder of Yuda Wood. In addition, Person #1 had significant interests in other Suppliers of Sino-Forest and was identified as the "caretaker" of several nominee/peripheral companies.

65. Yuda Wood and other companies controlled by Sino-Forest through Person #1 were used to perpetrate portions of the Standing Timber Fraud including the Dacheng Fraud, the 450,000 Fraud, Gengma Fraud #1 and Gengma Fraud #2.

2) Sino-Forest Controlled Dongkou, a Major AI

66. Dongkou was an AI secretly controlled by Sino-Forest during a portion of the Material Time.

67. In 2008, Dongkou was Sino-Forest's most significant AI, purportedly purchasing approximately \$125 million in Standing Timber from Sino-Forest, constituting about 18% of Sino-Forest's Standing Timber revenue for that year.

68. Sino-Forest controlled Dongkou through one of its WFOE subsidiaries Shaoyang Jiading Wood Products Co. Ltd. ("Shaoyang Jiading"). Correspondence indicates that, according to an agreement dated November 18, 2006, Shaoyang Jiading purchased Dongkou for RMB⁷ 1.38 million (approximately \$200,000).

69. By November 2006, the six original shareholders of Dongkou had been replaced with two Sino-Forest employees: Person #7 and Person #8. These two persons became the sole Dongkou shareholders, with Person #7 holding 47.5% and Person #8 holding 52.5%.

70. Also, in 2007, at the direction of Ip and others, employees of Sino-Forest drafted purchase contracts to be entered into by Dongkou and its suppliers (other than Sino-Forest). Essentially, Sino-Forest, through Overseas Management, controlled Dongkou's business with certain counterparties.

⁷ RMB is the Chinese unit of currency. During the Material Time, the conversion rate was approximately 7 RMB = 1 US\$.

B. Dishonest Process to Create Deceitful Purchase Contracts and Sales Contracts in the BVI Model – Concealment of this Dishonest Process

1) Purchase Contracts in the BVI Model

71. As set out in paragraph 47, approximately 80% (by value) of Sino-Forest's timber assets were held in the BVI Model as of December 31, 2010.

72. Sino-Forest used the Purchase Contracts to acquire and evidence ownership of Standing Timber in the BVI Model. The Purchase Contracts purported to have three attachments:

- i) Plantation Rights Certificates ("Certificates") or other ownership documents;
- ii) Farmers' Authorization Letters ("Farmers' Authorizations"); and
- iii) Timber Survey Reports ("Survey Reports").

73. The Purchase Contracts and their attachments were fundamentally flawed in at least four ways, making the public disclosure record of Sino-Forest materially misleading, thus placing the pecuniary interests of Investors at risk.

74. First, Sino-Forest did not hold Certificates to evidence ownership of the Standing Timber allegedly purchased by the BVI Subs. Instead, Sino-Forest claimed that, since the BVI Subs could not obtain Certificates from the PRC government to evidence ownership, it purported to rely on confirmations issued by the forestry bureaus in the PRC as evidence of ownership ("Confirmations"). However, Confirmations are not legally recognized documents evidencing ownership of timber assets in the PRC. These Confirmations were purportedly granted to Sino-Forest as favours by the PRC forestry bureaus. According to Sino-Forest, the PRC forestry bureaus did not intend that these Confirmations would be disclosed to third parties. Also, certain PRC forestry bureau employees obtained gifts and cash payments from Suppliers of Sino-Forest, further undermining the value of the Confirmations as evidence of ownership.

75. Second, during the Material Time, Sino-Forest employed a deceitful systematic quarterly documentation process in the BVI Model whereby the purported Purchase Contracts were not drafted and executed until the quarter after the date on which the purchase allegedly occurred and was included in the public financial disclosure.

76. Like the Purchase Contracts, the Confirmations were also created by Sino-Forest and deceitfully dated to the previous quarter. These Confirmations were created contemporaneously with the creation of the corresponding Purchase Contracts. These Confirmations were then allegedly provided to the relevant PRC forestry bureau for verification and execution.

77. Third, the Purchase Contracts referred to Farmers' Authorizations. However, none were attached. In the absence of Farmers' Authorizations, there is no evidence that ownership to the Standing Timber was properly transferred to Sino-Forest or to the Supplier prior to the purported transfer of ownership to Sino-Forest. Ownership of the Standing Timber would have remained with the original Certificate holder.

78. Fourth, the Survey Reports, which purported to identify the general location of the purchased timber, were all prepared by a single firm during the Material Time. A 10% shareholder of this survey firm was also an employee of Sino-Forest. Drafts of certain Survey Reports purportedly prepared by this independent survey company were located on the computer of another employee of Sino-Forest. Like the Purchase Contracts and Confirmations, these drafts of the Survey Reports were deceitfully dated to the quarter prior to their creation.

79. In the absence of both Certificates and Farmers' Authorizations, Sino-Forest relies on the validity of the Purchase Contracts and the Confirmations as proof of ownership of the Standing Timber it held in the BVI Model. However, the Purchase Contracts and available attachments, including Confirmations, were prepared using the deceitful documentation process outlined above, and do not constitute proof of ownership of the trees purported to have been bought by Sino-Forest in the BVI Model.

80. Moreover, the Purchase Contracts and readily available attachments, including the Confirmations, did not identify the precise location of the Standing Timber being purchased such that the existence of this Standing Timber could not be readily verified and valued independently.

81. Sino-Forest, Overseas Management and Horsley knew or ought to have known that their auditors during the Material Time relied on the validity of the Purchase Contracts and their attached Confirmations as proof of ownership of Sino-Forest's Standing Timber assets.

2) Sales Contracts in the BVI Model

82. Like the Purchase Contracts, all of the Sales Contracts purportedly entered into by the BVI Subs in the BVI Model were not actually created and executed until the quarter after the date of the alleged transaction.

83. Accordingly, the revenue from the Sales Contracts in the BVI Model was recognized in the quarter prior to the creation of the Sales Contracts. Therefore, the public disclosure of Sino-Forest regarding its revenue from Standing Timber was materially misleading and deceitful. During the Material Time, in its correspondence to Staff, Sino-Forest misled the Commission about its revenue recognition practice.

C. Undisclosed Internal Control Weaknesses/Failures

84. In its MD&A for 2010 dated March 15, 2011, Sino-Forest stated the following on page 27 regarding its "Disclosure Control and Procedures and Internal Controls Over Financial Reporting":

The success of the Company's vision and strategy of acquiring and selling forestry plantations and access to a long-term supply of wood fibre in the PRC is dependent on senior management. **As such, senior management plays a significant role in maintaining customer relationships, negotiating and finalizing the purchase and sale of plantation fibre contracts and the settlement of accounts receivable and accounts payable associated with plantation fibre contracts.** This concentration of authority, or lack of segregation of duties, creates risk in terms of measurement and completeness of transactions as well as the possibility of non-compliance with existing controls, either of which may lead to the possibility of inaccurate financial reporting. By taking additional steps in 2011 to address this deficiency, management will continue to monitor and work on mitigating this weakness. **[Emphasis added]**

85. Sino-Forest made similar disclosure in its annual MD&A from 2006 to 2009 regarding this concentration of authority or lack of segregation and the risk resulting from these weaknesses. These material weaknesses were not remedied during the Material Time by Sino-Forest, Overseas Management or Horsley.

86. Sino-Forest failed to disclose the extent of the concentration of duties in Overseas Management. It did not disclose that Overseas Management and their nominees had complete control over the operation of the BVI Model including the fraudulent creation and execution of the Purchase Contracts and Sales Contracts described in paragraphs 71 to 81 and the extent of the "off-book" cash flow set out in paragraphs 48 to 49. This concentration of control in the hands of Overseas Management facilitated the fraudulent course of conduct perpetrated in the BVI Model.

D. Four Examples of Fraudulent Transactions within the Standing Timber Fraud

87. During the Material Time, Sino-Forest and Overseas Management engaged in significant fraudulent transactions related to its purchase and sale of Standing Timber. These fraudulent transactions had the effect of overstating Sino-Forest's assets and revenue during the Material Time.

88. By way of example, four series of fraudulent transactions are detailed below: (i) the Dacheng Fraud; (ii) the 450,000 Fraud; (iii) Gengma Fraud #1, and (iv) Gengma Fraud #2.

89. In these transactions, Sino-Forest used certain Suppliers, Als and other nominee companies that it controlled to falsify the financial disclosure of Sino-Forest, including the value of its Standing Timber assets and revenue.

1) The Dacheng Fraud

90. Sino-Forest and members of Overseas Management committed fraud (the "Dacheng Fraud") in a series of purported transactions commencing in 2008, related to purchases of timber plantations (the "Dacheng Plantations") from a Supplier called Guangxi Dacheng Timber Co. Ltd. ("Dacheng"). Companies controlled by Sino-Forest through Person #1 were used in the Dacheng Fraud.

91. The Dacheng Fraud involved duplicating the same Standing Timber assets within the Dacheng Plantations in the records of two Sino-Forest subsidiaries. Sino-Forest recorded the same assets once in the WFOE Model and again in the BVI Model.

92. In 2008, these Standing Timber assets were recorded at a value of RMB 47 million (approximately \$6.3 million) in the WFOE Model and this amount was paid to Dacheng. These funds were then funnelled through Dacheng back to other subsidiaries of Sino-Forest, as the purported collection of receivables.

93. At the same time, Sino-Forest recorded these Standing Timber assets in the BVI Model at a value of approximately RMB 205 million (approximately \$30 million). In 2009, Sino-Forest purported to sell the Standing Timber assets from the Dacheng Plantations held in the BVI Model for approximately RMB 326 million (approximately \$48 million). This revenue was recorded in Q3 of 2009.

94. As a result of the Dacheng Fraud, in 2008, Sino-Forest overstated the value of certain Standing Timber assets by approximately \$30 million and, in 2009, Sino-Forest overstated its revenue by approximately \$48 million. The effect of this revenue overstatement on the public disclosure record of Sino-Forest is illustrated in paragraph 127 below.

2) The 450,000 Fraud

95. Sino-Forest and members of Overseas Management committed fraud (the “450,000 Fraud”) in a complex series of transactions involving the purchase and sale of 450,000 cubic meters of timber in Q4 of 2009, again utilizing companies controlled by Sino-Forest through Person #1. In an email, Yeung described this purchase and sale of timber as “a pure accounting arrangement”.

96. Three subsidiaries of Sino-Panel (the “Sino-Panel Companies”) purported to purchase 450,000 cubic meters of Standing Timber at a cost of RMB 183 million (approximately \$26 million) from Guangxi Hezhou City Yuangao Forestry Development Co. Ltd (“Yuangao”) during October 2009.

97. In Q4 of 2009, the Sino-Panel Companies purportedly sold this Standing Timber to the following three customers:

- i) Gaoyao City Xinqi Forestry Development Co., Ltd. (“Xinqi”);
- ii) Guangxi Rongshui Meishan Wood Products Factory (“Meishan”); and
- iii) Guangxi Pingle Haosen Forestry Development Co., Ltd. (“Haosen”).

98. The sale price for this Standing Timber was RMB 233 million (approximately \$33 million), for an apparent profit of RMB 50 million (approximately \$7.1 million).

99. The purported supplier (Yuangao) and the purported customers (Xinqi, Meishan and Haosen) are all so-called “peripheral” companies of Sino-Forest, i.e., they are nominee companies controlled by Person #1 on behalf of Sino-Forest. Xinqi, Meishan and Haosen are also companies included in the Caretaker Company List, and Person #1 is identified as the “caretaker” of each company.

100. This RMB 233 million sale of Standing Timber was recorded in Sino-Forest’s WFOE Model, as opposed to its BVI Model. As noted in paragraph 48, the BVI Model employs the Offsetting Arrangement where payables and receivables are made and collected “off-book”. However, in the WFOE Model, Sino-Forest takes receipt of the sales proceeds directly or “on-book”.

101. By July 2010, none of the sales proceeds had been collected and the receivable was long overdue. In order to evidence the “collection” of the RMB 233 million in sales proceeds, Sino-Forest devised two separate “on-book” payables/receivables offsetting arrangements, one in 2010 and one in 2011, whereby Sino-Forest made payments to various companies, including Yuangao and at least two other Sino-Forest nominee companies.⁸

102. To account for the purported profit of RMB 50 million, Sino-Forest had to “collect” more (RMB 233 million) than just the purchase price (RMB 183 million). Consequently, Sino-Forest created additional “payables” to complete the circular flow of funds needed to collect the sales proceeds of RMB 233 million. These “on-book” offsetting arrangements, therefore, included the purported settlement of various accounts payable, not just the Yuangao payable arising from the 450,000 Fraud.

103. The companies referred to paragraph 101 then funnelled the money to Xinqi, Meishan and Haosen who, in turn, repaid the money to the Sino-Panel Companies to achieve the purported collection of the RMB 233 million in revenue.

104. The “on-book” offsetting arrangements required that Suppliers and customers have bank accounts through which the funds could flow. In July and August 2010, Sino-Forest set up bank accounts for the suppliers and customers associated with the 450,000 Fraud to facilitate the circular cash flows. These bank accounts were overseen by Ip, Ho, Person #1 and/or Person #9 (a former Sino-Forest employee and associate of Person #1).

105. These circular cash-flows commenced in July 2010 and were finally concluded in February 2011.

⁸ Dao County Juncheng Forestry Development Co., Ltd. and Guangxi Rongshui Taiyuan Wood Co., Ltd.

106. The circular flow of funds underlying the 450,000 Fraud demonstrates that the sales contracts purportedly entered into between the Sino-Panel Companies and Xinqi, Meishan and Haosen are fraudulent and have no true economic substance. As a result of the 450,000 Fraud, Sino-Forest overstated the value of its revenue by approximately \$30 million for Q4 of 2009. The effect of this revenue overstatement on the public disclosure record of Sino-Forest is illustrated in paragraph 129 below.

3) Gengma Fraud # 1

107. Sino-Forest and members of Overseas Management committed fraud ("Gengma Fraud #1") in 2007 related to Standing Timber assets purchased from Gengma Dai and Wa Tribe Autonomous Region Forestry Co., Ltd. ("Gengma Forestry") by Sino-Panel (Gengma) Co., Ltd. ("Sino-Panel Gengma"), a Sino-Forest subsidiary.

108. In 2007, Sino-Panel Gengma purchased certain land use rights and Standing Timber for RMB 102 million (approximately \$14 million) from Gengma Forestry. These contracts were signed by Chan. However, this transaction between Sino-Panel Gengma and Gengma Forestry was not recorded. Instead, Sino-Forest purported to purchase the same assets from Yuda Wood, allegedly paying RMB 509 million (approximately \$68 million) for the Standing Timber in 2007 and RMB 111 million (approximately \$15 million) for certain land use rights during the period from June 2007 to March 2009. This purchase was recorded and these Standing Timber assets remained on the books of Sino-Forest until 2010.

109. Gengma Fraud #1 resulted in an overstatement of Sino-Forest's timber holdings for 2007, 2008 and 2009.

110. In 2010, this Standing Timber was then purportedly sold for RMB 1,579 million (approximately \$231 million). However, these same Standing Timber assets were offered as collateral for a bank loan by Sino-Forest in 2011 so the sale of these assets in 2010 could not have taken place and been recorded as revenue in that year.

111. The effect of the revenue overstatement from Gengma Fraud #1 on the public disclosure record of Sino-Forest is illustrated in paragraph 131 below.

4) Gengma Fraud # 2

112. In 2007, Sino-Forest and members of Overseas Management committed fraud ("Gengma Fraud #2") in another series of transactions to artificially inflate its assets and revenue from the purchase and sale of Standing Timber.

113. In September 2007, Sino-Forest recorded the acquisition of Standing Timber from Yuda Wood at a cost of RMB 161 million (approximately \$21.5 million) related to Standing Timber in Yunnan Province (the "Yunnan Plantation"). However, Yuda Wood did not actually acquire these assets in the Yunnan Plantation until September 2008.

114. In 2007, Sino-Forest had also purportedly purchased the land use rights to the Yunnan Plantation from Yuda Wood at a cost of RMB 53.4 million (approximately \$7 million), RMB 52.9 million of which was paid to Yuda Wood during the period from January 2009 to April 2009. Sino-Forest then fabricated the sale of the land use rights to Guangxi Hezhou City Kun'an Forestry Co., Ltd. ("Kun'an") pursuant to a contract dated November 23, 2009. Kun'an was controlled by Sino-Forest through Person #1 and is a company included in the Caretaker Company List referred to in paragraph 57 above.

115. Sino-Forest then purported to sell the Standing Timber in the Yunnan Plantation in a series of transactions between March 2008 and November 2009 for RMB 338 million (approximately \$49 million). As Yuda Wood did not own this Standing Timber asset until September 2008, Sino-Forest could not have recorded the sale of this Standing Timber prior to that time. The effect of this revenue overstatement on the public disclosure record of Sino-Forest is illustrated in paragraph 133 below.

D. Conclusion Regarding the Standing Timber Fraud

116. The effect of the above conduct is that Sino-Forest and Overseas Management engaged in deceitful or dishonest conduct related to Sino-Forest's Standing Timber assets and revenue that they knew or ought to have known constituted fraud, contrary to subsection 126.1(b) of the Act and the public interest.

117. Due to the chronic and pervasive nature of the systemic conduct set out above, neither the magnitude of the Standing Timber Fraud by Sino-Forest and Overseas Management nor the magnitude of the risk to the pecuniary interests of Investors can be quantified with certainty.

118. Given their positions as officers of Sino-Forest and/or Sino-Panel, Overseas Management authorized, permitted or acquiesced in the non-compliance with Ontario securities law by Sino-Forest and are deemed to have not complied with Ontario securities law pursuant to section 129.2 of the Act. This conduct was also contrary to the public interest.

119. As CFO of Sino-Forest, Horsley authorized, permitted or acquiesced in Sino-Forest's and Overseas Management's commission of the Standing Timber Fraud and therefore is deemed under section 129.2 of the Act to have not complied with Ontario securities law. This conduct was also contrary to the public interest.

PART V. MATERIALLY MISLEADING STATEMENTS RELATED TO THE STANDING TIMBER FRAUD

120. On January 10, 2012, Sino-Forest issued a news release which cautioned that its historic financial statements and related audit reports should not be relied upon.

121. By failing to properly disclose the elements of the Standing Timber Fraud set out above, Sino-Forest made statements in its filings to the Commission during the Material Time which were, in a material respect and at the time and in the light of the circumstances under which they were made, misleading or untrue or did not state facts that were required to be stated or that were necessary to make the statements not misleading. Overseas Management participated in the conduct that made these statements materially misleading.

122. The misleading, untrue or incomplete statements related to Sino-Forest's description of its primary business were contained in (or absent from) Sino-Forest's continuous disclosure, including its audited annual financial statements, AIFs and MD&A filed with the Commission during the Material Time as required by Ontario securities law.⁹ These misleading, untrue or incomplete statements related to Sino-Forest's description of its primary business were contained in (or absent from) Sino-Forest's short form prospectuses filed with the Commission during the Material Time, which incorporated by reference the relevant audited annual financial statements, AIFs and MD&A as required by Ontario securities law.

123. These misleading statements were related to Sino-Forest's primary business in the BVI Model and the WFOE Model, representing approximately 90% of Sino-Forest's stated timber assets as of December 31, 2010 and 75% of its stated revenue from 2007 to 2010.

A. Materially Misleading Statements Regarding Ownership of Assets and Revenue Recognition

124. Members of Overseas Management created and executed the Purchase Contracts in the BVI Model in the quarters after the assets related to those transactions were recognized. This made Sino-Forest's audited annual financial statements, AIFs and MD&A for the years 2006, 2007, 2008, 2009 and 2010 materially misleading.

125. Further, given that Sino-Forest did not have sufficient proof of ownership of the majority of its Standing Timber assets due to the courses of conduct set out above, the information regarding Sino-Forest's timber holdings in its audited annual financial statements, AIFs and MD&A for the years 2006, 2007, 2008, 2009 and 2010 was materially misleading. For the same reasons, the information regarding Sino-Forest's timber holdings in its short form prospectuses filed in 2007 and 2009 (which incorporated by reference the relevant audited annual financial statements, AIFs and MD&A as required by Ontario securities law) was materially misleading.

126. Sino-Forest and members of Overseas Management created and executed the Sales Contracts in the BVI Model in the quarter after the revenue related to those transactions was recognized. This was contrary to the revenue recognition process set out in Sino-Forest's continuous disclosure, including its MD&A and the notes to its audited annual financial statements.

B. Effect of the Dacheng Fraud, the 450,000 Fraud, Gengma #1 and Gengma #2 on the Reported Revenue of Sino-Forest

1) The Dacheng Fraud

127. The Dacheng Fraud resulted in Sino-Forest fraudulently overstating its revenue in Q3 of 2009 as set out in this table:

Approximate Effect of the Dacheng Fraud on Q3 of 2009 (\$ millions)

Quarterly Reported Revenue	367.0
Fraudulently Overstated Revenue	47.7
Fraudulently Overstated Revenue as a % of Quarterly Reported Revenue	13.0%

128. Sino-Forest reported its revenue for Q3 of 2009 at page 20 of its annual MD&A for 2009 (dated March 16, 2010) and page 87 of its 2009 Annual Report, summarizing the "2009 Quarterly Highlights".

⁹ zBy way of example, these misstatements include Sino-Forest's disclosure of "Plantation Rights Certificates for Our Purchased Plantations" on page 26 of its 2010 AIF and its disclosure of "Implementation and Issuance of new form Plantation Rights Certificate" on pages 46-47 of its 2010 AIF.

2) The 450,000 Fraud

129. The 450,000 Fraud resulted in Sino-Forest fraudulently overstating its revenue for Q4 of 2009 as set out in this table:

Approximate Effect of the 450,000 Fraud on Q4 2009 (\$ millions)

Quarterly Reported Revenue	469.6
Fraudulently Overstated Revenue	30.1
Fraudulently Overstated Revenue as a % of Quarterly Reported Revenue	6.4%

130. Sino-Forest reported its revenue for Q4 of 2009 at page 20 of its annual MD&A for 2009 (dated March 16, 2010) and page 87 of its 2009 Annual Report, summarizing the "2009 Quarterly Highlights".

3) Gengma Fraud #1

131. Gengma Fraud #1 resulted in Sino-Forest fraudulently overstating its revenue for Q1 and Q2 of 2010 as set out in this table:

Approximate Effect of Gengma Fraud #1 on Q1 and Q2 2010 (\$ millions)

	Q1 2010	Q2 2010
Quarterly Reported Revenue	251.0	305.8
Fraudulently Overstated Revenue	73.5	157.8
Fraudulently Overstated Revenue as a % of Quarterly Reported Revenue	29.3%	51.6%

132. Sino-Forest reported its revenue for Q1 and Q2 of 2010 at page 20 of its annual MD&A for 2010 (dated March 15, 2011) and page 88 of its 2010 Annual Report, summarizing the "2010 Quarterly Highlights".

4) Gengma Fraud #2

133. Gengma Fraud #2 resulted in Sino-Forest fraudulently overstating its revenue for Q1, Q2 and Q3 of 2008 and Q4 of 2009 as set out in this table:

Approximate Effect of Gengma Fraud #2 on Q1, Q2 and Q3 of 2008 and Q4 of 2009 (\$ millions)

	Q1 2008	Q2 2008	Q3 2008	Q4 2009
Quarterly Reported Revenue	136.1	187.1	295.5	469.6
Fraudulently Overstated Revenue	5.7	4.9	5.9	32.6
Fraudulently Overstated Revenue as a % of Quarterly Reported Revenue	4.2%	2.6%	2.0%	6.9%

134. Sino-Forest reported its revenue for Q1, Q2 and Q3 of 2008 at page 19 of its annual MD&A for 2008 (dated March 16, 2009) and page 73 of its 2008 Annual Report summarizing the "2008 Quarterly Highlights". Revenue for Q4 of 2009 was reported as set out above in paragraph 130.

C. Materially Misleading Statements Regarding Internal Controls

135. Sino-Forest's disclosure in its AIFs and annual MD&A for 2006, 2007, 2008, 2009 and 2010 relating to the material weaknesses in its internal controls was misleading, untrue or incomplete. This disclosure was also contained in Sino-Forest's short form prospectuses filed in 2007 and 2009 (which incorporated by reference the relevant AIFs and MD&A as required by Ontario securities law).

136. Sino-Forest did disclose that the concentration of authority in Overseas Management and lack of segregation of duties created a risk in terms of measurement and completeness of transactions, as well as the possibility of non-compliance with existing controls.

137. However, as set out in paragraphs 84 to 86, this disclosure by Sino-Forest was wholly inadequate, failing to reveal the extent of the weaknesses in Sino-Forest's internal controls.

D. Conclusion Regarding Materially Misleading Statements Related to the Standing Timber Fraud

138. During the Material Time, given the Standing Timber Fraud, Sino-Forest consistently misled the public in the disclosure required to be made under Ontario securities law. The conduct of Sino-Forest, Chan, Ip, Hung and Ho was contrary to subsection 122(1)(b) of the Act and contrary to the public interest.

139. Further, due to the above conduct, Sino-Forest's audited annual financial statements did not comply with Canadian Generally Accepted Accounting Principles.

140. Given their positions as officers of Sino-Forest, Chan, Ip, Ho and Hung authorized, permitted or acquiesced in Sino-Forest's making of materially misleading statements and thereby committed an offence under subsection 122(3) of the Act. This conduct was also contrary to the public interest.

141. As CFO of Sino-Forest, Horsley authorized, permitted or acquiesced in Sino-Forest's and Overseas Management's making of materially misleading statements and therefore is deemed under section 129.2 of the Act to have not complied with Ontario securities law. This conduct was also contrary to the public interest.

PART VI. THE GREENHEART TRANSACTION – FRAUD BY CHAN AND MATERIALLY MISLEADING STATEMENTS BY CHAN AND SINO-FOREST

142. Chan committed fraud in relation to Chan's undisclosed interest and substantial financial benefit in the Greenheart Transaction described below.

143. Chan and Sino Forest made materially misleading statements in Sino-Forest's AIFs for 2008, 2009 and 2010 by not disclosing Chan's interest in the Greenheart Transaction. These misleading statements were also contained in Sino-Forest's short form prospectuses filed in 2009 (which incorporated by reference the relevant AIFs and MD&A as required by Ontario securities law).

144. In 2010, through a complex series of transactions, Sino-Forest completed the purchase of a controlling interest in Greenheart, a public company listed on the Hong Kong Stock Exchange. In 2005, the primary assets of Greenheart's key subsidiary at the time, GRHL, were previously acquired by the original owners of GRHL for approximately \$2 million. These assets consisted of natural forest concessions and operations located in Suriname. The total cost of the Greenheart Transaction to Sino-Forest was approximately \$120 million, composed of a combination of cash and securities of Sino-Forest.

145. Two of the companies holding shares of GRHL, thus benefitting from the Greenheart Transaction, were Fortune Universe Ltd. ("Fortune Universe") and Montsford Ltd. ("Montsford"). Both Fortune Universe and Montsford were BVI shelf companies incorporated in 2004 and subsequently acquired by, or for the benefit of, Chan in 2005.

146. Person #10 was the sole director and shareholder of Fortune Universe and Person #4 was the sole director and shareholder of Montsford. However, Chan arranged for Person #10 and Person #4 to act as Chan's nominees. Chan was the true beneficial owner of Fortune Universe and Montsford.

147. Person #10 was the legal representative and director of one of Sino-Forest's largest Suppliers during the Material Time. Person #4 was an acquaintance of Chan based in the PRC.

148. As a result of the Greenheart Transaction, Fortune Universe and Montsford received over \$22.1 million, comprised of approximately \$3.7 million in cash and approximately \$18.4 million in securities of Sino-Forest. The securities of Sino-Forest received by Fortune Universe and Montsford appreciated in value and were subsequently sold for a total of approximately \$35 million. With the help of Person #11 (Chan's assistant), these securities were sold through brokerage accounts of Fortune Universe and Montsford which were opened at her direction, on the instructions of Chan.

149. While Sino-Forest disclosed that another director of Sino-Forest had an interest in the Greenheart Transaction in its AIFs for 2008, 2009 and 2010, it did not disclose that Chan benefitted directly or indirectly from the Greenheart Transaction through Fortune Universe and Montsford. Chan certified the AIFs for 2008, 2009 and 2010.

150. Chan knew that he was engaging in deceitful or dishonest conduct in relation to the Greenheart Transaction and knew that he was making deceitful or dishonest statements to Investors in Sino-Forest's continuous disclosure.

151. Chan placed the pecuniary interests of Investors at risk and committed fraud, contrary to subsection 126.1(b) of the Act and made materially misleading statements contrary to subsection 122(1)(b) of the Act. This conduct was also contrary to the public interest.

152. Through Chan, Sino-Forest made materially misleading statements contrary to subsection 122(1)(b) of the Act. This conduct was also contrary to the public interest.

153. Given his position as Chairman of the Board and CEO of Sino-Forest, Chan, authorized, permitted or acquiesced in Sino-Forest's making of materially misleading statements and thereby committed an offence under subsection 122(3) of the Act. This conduct was also contrary to the public interest.

154. As Chairman of the Board and CEO of Sino-Forest, Chan authorized, permitted or acquiesced in Sino-Forest's commission of fraud and therefore is deemed under section 129.2 of the Act to have not complied with Ontario securities law. This conduct was also contrary to the public interest.

PART VII. CHAN, IP, HUNG, HO AND YEUNG MATERIALLY MISLED STAFF

A. Chan Materially Misled Staff

155. During his examination by Staff, Chan made statements that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading, contrary to subsection 122(1)(a) of the Act and the public interest.

156. Chan was asked whether Sino-Forest had any control over certain Suppliers or whether these Suppliers were independent. Chan misled Staff, responding that they were independent companies. Chan repeatedly confirmed that Yuda Wood was an independent company and that it was not controlled by any employee of Sino-Forest. This information was false and misleading.

B. Ip Materially Misled Staff

157. During his examination by Staff, Ip made statements that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading, contrary to subsection 122(1)(a) of the Act and the public interest.

158. Ip misled Staff regarding the creation of Confirmations by Sino-Forest. Ip falsely informed Staff as to nature of the interaction between the PRC forestry bureaus and Sino-Forest personnel surrounding the issuance of the Confirmations. Ip also misled Staff about the timing of purported payments made by Sino-Forest to Suppliers. Ip stated that payments were only made once the Purchase Contracts were signed. This information was false and misleading.

C. Hung Materially Misled Staff

159. During his examination by Staff, Hung made statements that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading, contrary to subsection 122(1)(a) of the Act and the public interest.

160. Hung falsely described the creation of the Purchase Contracts, Sales Contracts and their attachments, including Confirmations, to Staff. Hung informed Staff that he confirmed the accuracy of all the information in the Purchase Contracts. Hung also stated that he ensured that the attachments to the Purchase Contracts, including Confirmations and Survey Reports, would be "in place". This information was false and misleading.

161. Hung also misled Staff as to the timing of alleged payments made pursuant to the Purchase Contracts.

D. Ho Materially Misled Staff

162. During his examination by Staff, Ho made statements that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading, contrary to subsection 122(1)(a) of the Act and the public interest.

163. Ho was specifically asked about what role he took "in the whole BVI process." Ho replied, "None whatsoever", further stating, "No, I'm not at all involved in the BVI whatsoever." This information was false and misleading.

164. Ho also denied that he was copied on any emails or communications involving the BVI Model. This information was false and misleading.

165. Ho also asserted that Yuda Wood was independent of Sino-Forest and that he had no control over any aspect of its business. This information was false and misleading.

E. Yeung Materially Misled Staff

166. During his examination by Staff, Yeung made statements that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading, contrary to subsection 122(1)(a) of the Act and the public interest.

167. Yeung was specifically asked about his involvement in the creation of Yuda Wood. Yeung stated that he assisted with the application process as a favour to his friend, Person #1. He denied that Sino-Forest supplied the registration capital for Yuda Wood. Yeung also denied any knowledge of Sino-Forest creating fraudulent transactions involving the purchase and sale of Standing Timber. This information was false and misleading.

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

DATED at Toronto, Ontario, this 22nd day of May 2012.

SCHEDULE “A”

GLOSSARY OF CERTAIN DEFINED TERMS AND LOCATION IN THE STATEMENT OF ALLEGATIONS

“**Als**” means the authorized intermediaries to whom Sino-Forest purported to sell assets in the PRC, including Standing Timber (paragraph 45).

“**BVI Model**” means the business model employed by Sino-Forest to buy and sell assets through the BVI Subs in the PRC (paragraph 45).

“**BVI Network**” means the entire network of BVI Subs, Suppliers, Als and other companies who bought and sold assets in the BVI Model in the PRC (paragraph 56).

“**BVI Subs**” means wholly owned subsidiaries of Sino-Forest incorporated in the British Virgin Islands (paragraph 45).

“**Caretaker Company List**” means the document listing the “peripheral” or “nominee” companies controlled by “caretakers” on behalf of Sino-Forest (paragraph 57).

“**Certificates**” means Plantation Rights Certificates issued by the PRC government (paragraph 72).

“**Company**” means Sino-Forest Corporation including all of its subsidiaries and companies it controls as set out in its public disclosure record and as the context within this Statement of Allegations requires (paragraph 1).

“**Confirmations**” means the confirmations purportedly executed by forestry bureaus that Sino-Forest relied upon to evidence ownership of Standing Timber assets in the BVI Model in the absence of Certificates (paragraph 74).

“**Dacheng**” means Guangxi Dacheng Timber Co. Ltd. (paragraph 90).

“**Dacheng Plantations**” means the timber plantations purchased from Dacheng commencing in 2008 (paragraph 90).

“**Dongkou**” means Dongkou Shuanglian Wood Company Limited (paragraph 60).

“**Farmers’ Authorizations**” means farmers’ authorization letters (paragraph 72).

“**Fortune Universe**” means Fortune Universe Ltd. (paragraph 145).

“**Gengma Forestry**” means Gengma Dai and Wa Tribe Autonomous Region Forestry Co., Ltd. (paragraph 107).

“**Greenheart**” means the company now known as Greenheart Group Limited (paragraph 12).

“**Greenheart Transaction**” means the series of transactions where Sino-Forest purchased a controlling interest in Greenheart (paragraph 27).

“**GRHL**” means Greenheart Resources Holdings Limited (paragraph 57).

“**Haosen**” means Guangxi Pingle Haosen Forestry Development Co., Ltd. (paragraph 97).

“**Investors**” means the securityholders of Sino-Forest (paragraph 3).

“**Kun’an**” means Guangxi Hezhou City Kun’an Forestry Co., Ltd. (paragraph 114).

“**Material Time**” means the period from June 30, 2006 to January 11, 2012 (paragraph 15).

“**Meishan**” means Guangxi Rongshui Meishan Wood Products Factory (paragraph 97).

“**Montsford**” means Montsford Ltd. (paragraph 145).

“**Offsetting Arrangement**” means the payables/receivables arrangement used in the BVI Model by Sino-Forest to buy and sell Standing Timber (paragraph 48).

“**Overseas Management**” means Allen Chan, Albert Ip, Alfred C.T. Hung, George Ho and Simon Yeung (paragraph 13).

“Plantation Fibre” is one of the two subcomponents of Sino-Forest’s core business segment called Wood Fibre Operation (paragraph 41).

“PRC” means the People’s Republic of China (paragraph 2).

“Purchase Contracts” means the contracts used by Sino-Forest to purchase assets in the BVI Model (paragraph 45).

“Sales Contracts” means the contracts used by Sino-Forest to sell assets in the BVI Model (paragraph 45).

“Shaoyang Jiading” means Shaoyang Jiading Wood Products Co. Ltd. (paragraph 68).

“Sino-Forest” means Sino-Forest Corporation including all of its subsidiaries and companies it controls as set out in its public disclosure record and as the context within this Statement of Allegations requires (paragraph 1).

“Sino-Panel” means Sino-Panel (Asia) Inc., a subsidiary of Sino-Forest (paragraph 39).

“Sino-Panel Companies” means the three subsidiaries of Sino-Panel which purported to purchase Standing Timber from Yuangao (paragraph 96).

“Sino-Panel Gengma” means Sino-Panel (Gengma) Co., Ltd., a Sino-Forest subsidiary (paragraph 107).

“Sonic Jita” means Hong Kong Sonic Jita Engineering Co., Ltd. (paragraph 64).

“Standing Timber” means all of the Plantation Fibre subcomponent of Wood Fibre Operations and as the context within this Statement of Allegations requires (paragraph 42).

“Suppliers” means the parties from whom Sino-Forest purported to buy assets in the PRC, including Standing Timber (paragraph 45).

“Survey Reports” means timber survey reports (paragraph 72).

“WFOE Model” means the business model employed by Sino-Forest to buy and sell assets through its WFOEs (paragraph 46).

“WFOEs” means Wholly Foreign Owned Enterprises which were subsidiaries of Sino-Forest (paragraph 46).

“Xinqi” means Gaoyao City Xinqi Forestry Development Co., Ltd. (paragraph 97).

“Yuangao” means Guangxi Hexhou City Yuangao Forestry Development Co., Ltd. (paragraph 96).

“Yuda Wood” means Huaihua City Yuda Wood Ltd. (paragraph 57).

“Yunnan Plantation” means the Standing Timber plantations in Yunnan Province purportedly purchased in 2007 from Yuda Wood (paragraph 113).

SCHEDULE "B"

**SELECTED INFORMATION FROM THE 2005-2010
AUDITED ANNUAL FINANCIAL STATEMENTS OF SINO-FOREST**

Reported Revenue

December 31, 2010	\$1,923,536,000
December 31, 2009	1,238,185,000
December 31, 2008 (restated amount)	896,045,000
December 31, 2007	713,866,000
December 31, 2006 (restated amount)	555,480,000
December 31, 2005	493,301,000

Reported Total Assets

December 31, 2010	\$5,729,033,000
December 31, 2009	3,963,899,000
December 31, 2008	2,603,924,000
December 31, 2007	1,837,497,000
December 31, 2006	1,207,255,000
December 31, 2005	895,271,000

Reported Timber Assets (with % of total assets)

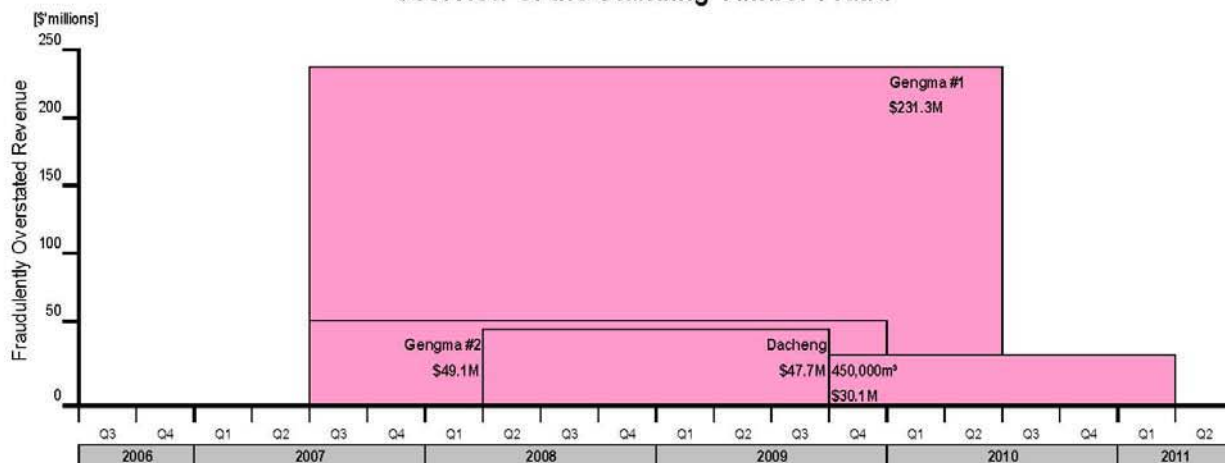
December 31, 2010	\$3,122,517,000 (55%)
December 31, 2009	2,183,489,000 (55%)
December 31, 2008	1,653,306,000 (63%)
December 31, 2007	1,174,153,000 (64%)
December 31, 2006	752,783,000 (62%)
December 31, 2005	513,412,000 (57%)

Number of Outstanding Common Shares

December 31, 2010	245,740,889
December 31, 2009	242,129,062
December 31, 2008	183,119,072
December 31, 2007	182,592,961
December 31, 2006	137,999,548
December 31, 2005	137,789,548

SCHEDULE "C"

Sino-Forest Corporation Overview of the Standing Timber Fraud



Resulting Misleading Public Disclosure

Failure to provide full, true and plain disclosure of the Sino-Forest business and its associated risks

Secret Control of the 'BVI Network' & 'Peripheral Companies'

Concealment of Sino-Forest's control of Suppliers, AI's and other Nominee Companies in the 'BVI Network'

Deceitful and Back-Dated Transaction Documentation Process

Creation of deceitful documentation to evidence the purported purchase/ownership and sale of Standing Timber

Significant Internal Control Weaknesses/Failures

Lack of Segregation of Duties, the "Off-book" Offsetting Arrangement

1.2.2 David Charles Phillips – 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
DAVID CHARLES PHILLIPS**

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

WHEREAS on May 15, 2012, the Ontario Securities Commission (the “Commission”) issued a temporary cease trade 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:

- (i) David Charles Phillips (“Phillips”) shall cease trading in all securities;
- (ii) any exemptions contained in Ontario securities law do not apply to Phillips; and
- (iii) the order shall take effect immediately and shall expire on the fifteenth day after its making unless extended by order of the Commission (the “Temporary Order”).

TAKE NOTICE THAT the Commission will hold a hearing pursuant to subsections 127(7) and (8) of the Act at the offices of the Commission, 20 Queen Street West, 17th Floor, commencing on May 30, 2012 at 2:30 p.m., or as soon thereafter as the hearing can be held;

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

- 1) to extend the Temporary Order pursuant to subsections 127(7) and (8) of the Act until the conclusion of the hearing, or until such further time as considered necessary by the Commission;
- 2) to make such further orders as the Commission considers appropriate;

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

AND TAKE FURTHER NOTICE that any party to the proceedings 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 16th day of May, 2012.

“Josée Turcotte”

Per: John Stevenson
Secretary to the Commission

1.2.3 Shallow Oil & Gas Inc. et al. – ss. 127, 127.1

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

AND

**IN THE MATTER OF
SHALLOW OIL & GAS INC., ERIC O'BRIEN, ABELDA SILVA and
ABRAHAM HERBERT GROSSMAN aka ALLEN GROSSMAN and KEVIN WASH**

**AMENDED NOTICE OF HEARING
Section 127 and 127.1**

TAKE NOTICE THAT the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") at the offices of the Commission at 20 Queen Street West, 17th Floor Hearing Room, commencing on June 18, 2012 at 10:00 a.m. and continuing on June 20, 21 and 22, 2012, or as soon thereafter as the hearing can be held:

AND TAKE NOTICE THAT Gurdip Singh Gahunia also known as Michael Gahunia, Marco Diadamo, Gord McQuarrie, and William Mankofsky have entered into settlement agreements with the Commission;

AND TAKE NOTICE THAT the purpose of the hearing is to consider whether it is in the public interest for the Commission to make an order:

- (a) pursuant to paragraph 2 of subsection 127(1), that trading in any securities by Shallow Oil & Gas Inc., Eric O'Brien, Abel Da Silva, Abraham Herbert Grossman aka Allen Grossman, and Kevin Wash (collectively, the "Respondents") cease permanently or for such other period as specified by the Commission;
- (b) pursuant to paragraph 2.1 of subsection 127(1), that the acquisition of any securities by the Respondents is prohibited permanently or for such other period as is specified by the Commission;
- (c) pursuant to paragraph 3 of subsection 127(1), that any exemptions contained in Ontario securities law do not apply to the Respondents, or any of them, permanently or for such other period as specified by the Commission;
- (d) pursuant to paragraph 6 of subsection 127(1), that the Respondents be reprimanded;
- (e) pursuant to paragraph 8 of subsection 127(1), that the Respondents be prohibited from becoming or acting as a director or officer of any issuer;
- (f) pursuant to paragraph 8.1 of subsection 127(1), that the Respondents resign one or more positions that they hold as a director or officer of any issuer;
- (g) pursuant to paragraph 9 of subsection 127(1), that the Respondents, or any of them, pay an administrative penalty of not more than \$1 million for each failure to comply with Ontario securities law to the Commission for allocation to or for the benefit of third parties;
- (h) pursuant to paragraph 10 of subsection 127(1), that the Respondents, or any of them, disgorge to the Commission any amounts obtained as a result of non-compliance with securities law for allocation to or for the benefit of third parties;
- (i) pursuant to paragraph 3 of subsection 127(10), that an order be made against Eric O'Brien, Abel Da Silva, Abraham Herbert Grossman aka Allen Grossman, and Shallow Oil & Gas Inc. under subsection 127(1) or (10);
- (j) pursuant to section 127.1, that the Respondents be ordered to pay the costs of the investigation and the costs of or related to the hearing incurred by or on behalf of the Commission; and
- (k) such other order as the Commission may consider appropriate.

BY REASON OF the allegations set out in the Amended Statement of Allegations of Staff dated May 14, 2012 and such additional allegations as counsel may advise and the Commission may permit;

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

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

DATED at Toronto this 14th day of May 2012.

“John Stevenson”

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

AND

**IN THE MATTER OF
SHALLOW OIL & GAS INC., ERIC O'BRIEN, ABELDA SILVA and
ABRAHAM HERBERT GROSSMAN aka ALLEN GROSSMAN and KEVIN WASH¹**

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

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

I. THE RESPONDENTS

1. Shallow Oil & Gas Inc. ("Shallow Oil") is an Ontario corporation that was incorporated on September 24, 2007.
2. Eric O'Brien ("O'Brien") is listed as the initial and sole director of Shallow Oil.
3. Abel Da Silva ("Da Silva") was a directing mind of Shallow Oil and was a director or officer of Shallow Oil. In the alternative, Da Silva was employed by and/or acted as an agent for Shallow Oil and acted as a salesperson for Shallow Oil securities.
4. Abraham Herbert Grossman, also known as Allen Grossman ("Grossman") was a directing mind of Shallow Oil and was a director or officer of Shallow Oil. In the alternative, Grossman was employed by and/or acted as agent for Shallow Oil, and acted as a salesperson for securities of Shallow Oil.
5. Gurdip Singh Gahunia, also known as Michael Gahunia ("Gahunia") was employed by and/or acted as agent for Shallow Oil, and acted as a salesperson for securities of Shallow Oil.
6. Marco Diadamo ("Diadamo") was employed by and/or acted as agent for Shallow Oil, and acted as a salesperson for securities of Shallow Oil.
7. Gord McQuarrie ("McQuarrie") was employed by and/or acted as agent for Shallow Oil, and acted as a salesperson for securities of Shallow Oil.
8. Kevin Wash ("Wash") was employed by and/or acted as agent for Shallow Oil, and acted as a salesperson for securities of Shallow Oil.
9. William Mankofsky ("Mankofsky") was employed by and/or acted as agent for Shallow Oil, and acted as a salesperson for securities of Shallow Oil.
10. Shallow Oil, O'Brien, Da Silva, Grossman and Wash are referred to collectively as the "Respondents".

II. SUMMARY OF STAFF'S ALLEGATIONS

11. The specific allegations advanced by Staff are:
 - (a) Between September 24, 2007 and February 27, 2008, the Respondents traded in securities of Shallow Oil without being registered contrary to section 25(1)(a) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act");
 - (b) Between September 24, 2007 and February 27, 2008, O'Brien, Da Silva, and Grossman, being directors or officers of Shallow Oil, did authorize, permit or acquiesce in trades in securities of Shallow Oil without Shallow Oil being registered to trade in such securities contrary to section 129.2 of the Act;

¹ The Commission approved settlement agreements reached with the following individuals, each of whom had originally been named as a respondent in this proceeding: Gurdip Singh Gahunia also known as Michael Gahunia (approved on December 16, 2010), Marco Diadamo (approved on December 9, 2011), Gord McQuarrie (approved on May 12, 2009) and William Mankofsky (approved on July 24, 2009).

- (c) Between September 24, 2007 and February 27, 2008, the Respondents traded in securities of Shallow Oil 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 the Act;
- (d) Between September 24, 2007 and February 27, 2008, O'Brien, Da Silva, and Grossman, being directors or officers of Shallow Oil, did authorize, permit or acquiesce in trades in securities of Shallow Oil where such trading was a distribution of such securities, without having filed a preliminary prospectus and prospectus and obtaining receipts for them from the Director, contrary to section 129.2 of the Act;
- (e) Between September 24, 2007 and February 27, 2008, the Respondents, with the intention of effecting a trade in securities of Shallow Oil, gave undertakings as to the future value or price of the securities of Shallow Oil contrary to section 38(2) of the Act;
- (f) Between September 24, 2007 and February 27, 2008, O'Brien, Da Silva, and Grossman, being directors or officers of Shallow Oil, did authorize, permit or acquiesce in the giving of undertakings by Shallow Oil, with the intention of effecting a trade in securities of Shallow Oil, as to the future value or price of securities of Shallow Oil contrary to section 129.2 of the Act;
- (g) Between September 24, 2007 and February 27, 2008, the Respondents, with the intention of effecting a trade in securities of Shallow Oil, made representations that securities of Shallow Oil would be listed on a stock exchange contrary to section 38(3) of the Act;
- (h) Between September 24, 2007 and February 27, 2008, O'Brien, Da Silva, and Grossman, being directors or officers of Shallow Oil, did authorize, permit or acquiesce in the making of representations by Shallow Oil, with the intention of effecting a trade in securities of Shallow Oil, that securities of Shallow Oil would be listed on a stock exchange, contrary to section 129.2 of the Act;
- (i) Between September 24, 2007 and February 27, 2008, the Respondents engaged or participated in acts, practices or courses of conduct relating to securities 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;
- (j) Between September 24, 2007 and February 27, 2008, O'Brien, Da Silva, and Grossman, being directors or officers of Shallow Oil, did authorize, permit or acquiesce in Shallow Oil engaging or participating in acts, practices or courses of conduct relating to securities that they knew or reasonably ought to have known perpetrated a fraud on persons to whom they traded securities of Shallow Oil, contrary to section 129.2 of the Act;
- (k) Between September 24, 2007 and February 27, 2008, O'Brien did contravene Ontario securities law by trading in securities of Shallow Oil at a time when he was prohibited from trading in securities by order of the Ontario Securities Commission dated July 3, 2007, contrary to section 122(1)(c) of the Act;
- (l) Between September 24, 2007 and February 27, 2008, Da Silva did contravene Ontario securities law by trading in securities of Shallow Oil at a time when he was prohibited from trading in securities by order of the Ontario Securities Commission dated May 10, 2006, contrary to section 122(1)(c) of the Act;
- (m) Between September 24, 2007 and February 27, 2008, Grossman did contravene Ontario securities law by trading in securities of Shallow Oil at a time when he was prohibited from trading in securities by order of the Ontario Securities Commission dated January 24, 2006 and did thereby commit an offence contrary to section 122(1)(c) of the Act;
- (n) On or about December 18, 2007, Da Silva made a statement in an affidavit provided to the Ontario Securities Commission, to wit: "I have not engaged in any business or undertaking which is in relation to the sale of securities", that, in a material respect and at the time and in the light of the circumstances under which it was made, was misleading or untrue, contrary to section 122(1)(a) of the Act;
- (o) On or about December 21, 2007, Da Silva made statements, to a person acting under the authority of the Ontario Securities Commission, during cross-examination on his affidavit dated December 18, 2007, to wit: since May 2006 he had not been involved in any business or undertaking which is in relation to the sale of securities, that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue, contrary to section 122(1)(a) of the Act;
- (p) On or about March 31, 2008, Grossman, made a statement in an affidavit provided to the Ontario Securities Commission, to wit: "I was not involved in any way in customer service or had any connection what so ever to

the sale of securities of Shallow Oil”, that, in a material respect and at the time and in the light of the circumstances under which it was made, was misleading or untrue and did thereby commit an offence contrary to section 122(1)(a) of the Act;

- (q) On or about March 31, 2008, Grossman, made a statement while giving evidence before the Ontario Securities Commission, to wit: “I have had nothing to do with the sale of securities” of Shallow Oil & Gas Inc., that, in a material respect and at the time and in the light of the circumstances under which it was made, was misleading or untrue and did thereby commit an offence contrary to section 122(1)(a) of the Act;
- (r) On or about March 31, 2008, Grossman, made a statement through material provided to the Ontario Securities Commission, to wit: altered e-mail correspondence tendered as evidence, that, in a material respect and at the time and in the light of the circumstances under which it was made, was misleading or untrue and did thereby commit an offence contrary to section 122(1)(a) of the Act; and,
- (s) On or about March 31, 2008, Grossman, made a statement while giving evidence before the Ontario Securities Commission, to wit: he had never met Wayne Matthews and never had any communications with Wayne Matthews, that, in a material respect and at the time and in the light of the circumstances under which it was made, does not state a fact that is required to be stated or that is necessary to make the statement not misleading, and did thereby commit an offence contrary to section 122(1)(a) of the Act.

III. BACKGROUND AND PARTICULARS TO ALLEGATIONS

- **Trading in Securities of Shallow Oil**

12. Staff of the Commission (“Staff”) allege that between September, 2007 and February, 2008 (the “Material Time”), the Respondents traded securities of Shallow Oil.

13. Throughout the Material Time, Shallow Oil was not registered in any capacity with the Commission.

14. Throughout the Material Time, none of the Respondents was registered with the Commission in any capacity.

15. The trades in Shallow Oil securities were trades in securities not previously issued and were therefore distributions. No preliminary prospectus or prospectus was filed and no receipts were issued for them by the Director to qualify the trading of Shallow Oil securities.

16. The Respondents and other employees or agents of Shallow Oil contacted investors or potential investors by phone, and used aliases when speaking with investors or potential investors on the telephone. Some of the aliases used were: Wayne Matthews; Kevin Crawford; Mark Rogers; Gord Sinclair; Bill Wilson; and, Mike Rosen.

17. Potential investors were sent information packages about Shallow Oil by e-mail or facsimile.

18. The Respondents traded securities of Shallow Oil to Ontario residents and residents of other jurisdictions, in circumstances where there were no exemptions available to them under the Act.

19. The Respondents advised potential investors and investors, with the intention of effecting trades, that Shallow Oil was about to be listed on a stock exchange and that the value or price of the securities would rise significantly when Shallow Oil was listed on a stock exchange.

20. Shallow Oil securities were traded to numerous investors and these investors sent over \$200,000 to Shallow Oil.

21. After orally agreeing to invest, investors received a subscription agreement from Shallow Oil. The subscription agreement set out the quantity, unit price and total amount of investment. Investors were instructed to make cheques payable to Shallow Oil and to send the subscription agreement and cheques to a virtual office in Toronto, Ontario.

22. Investors received a share certificate signed by O'Brien for common shares in Shallow Oil.

- **Fraudulent Conduct**

23. During the trading of securities of Shallow Oil, the Respondents adopted a high pressure sales approach that included making prohibited representations and undertakings, as well as providing information to potential investors that was false, inaccurate and misleading, including:

- (a) that Shallow Oil was about to go public and would be listed on a stock exchange;

- (b) false, inaccurate and misleading information with respect to the business activities of Shallow Oil;
- (c) false, inaccurate, and misleading content on the Shallow Oil website;
- (d) false, inaccurate, and misleading information with respect to assets held by Shallow Oil; and,
- (e) using false names and aliases when communicating with potential investors and investors.

24. The representations and undertakings were made with the intention of effecting trades in the securities of Shallow Oil. The Respondents engaged in a course of conduct relating to securities that they knew or reasonably ought to have known would result in a fraud on investors.

25. Staff allege that Shallow Oil was not carrying on legitimate business operations and that their only significant source of funds were funds obtained from investors as a result of fraudulent conduct.

26. As directors or officers of Shallow Oil, O'Brien, Da Silva and Grossman authorized, permitted or acquiesced in the violations of Ontario securities laws that were committed by the employees or agents of Shallow Oil.

- **Breach of Cease Trade Orders**

27. On July 3, 2007, in other proceedings before the Commission, the Commission ordered O'Brien to temporarily cease trading in securities (the "O'Brien Cease Trade Order"). The O'Brien Cease Trade Order was subsequently extended by the Commission and was in effect throughout the Material Time related to these Allegations.

28. On May 10, 2006, in other proceedings before the Commission, the Commission ordered that Da Silva cease trading in securities for a period of seven years (the "Da Silva Cease Trade Order"). The Da Silva Cease Trade Order was in effect throughout the Material Time related to these Allegations.

29. On January 24, 2006, in other proceedings before the Commission, the Commission ordered that Grossman temporarily cease trading in all securities (the "Grossman Cease Trade Order"). The Grossman Cease Trade Order was subsequently extended by the Commission and was in effect throughout the Material Time related to these Allegations.

30. On October 10, 2007, in other proceedings before the Commission, the Commission ordered that Gahunia temporarily cease trading in all securities (the "Gahunia Cease Trade Order"). The Gahunia Cease Trade Order was subsequently extended by the Commission and was in effect from October 10, 2007 and remains in effect.

- **Da Silva Misleading Staff**

31. In the course of other proceedings initiated by Staff in which Da Silva was a respondent, Da Silva swore an affidavit on December 18, 2007 (the "Da Silva Affidavit"). Staff allege that Da Silva made statements in the Da Silva Affidavit that, in material respects, at the time and in light of the circumstances under which they were made, were misleading or untrue, and/or Da Silva failed to state facts that were required to be stated or that were necessary to make the statements not misleading.

32. More specifically, at paragraph 28 of the Da Silva Affidavit, he stated,

Having been sanctioned in May 2006 by the OSC along with the principals of Joe Allen Capital, I have not engaged in any business or undertaking which is in relation to the sale of securities, which I fully realize needs certain licensing by a securities commission.

33. On December 21, 2007, Da Silva was cross-examined by Staff on the Da Silva Affidavit. During that cross-examination, Da Silva stated, under oath, that he had not been involved directly in any business or undertaking which was in relation to the sale of securities since May of 2006.

34. During the cross-examination of Da Silva, he also stated that he had not been working in any form since November or December of 2006.

35. As a respondent in a proceeding initiated by the Commission, Da Silva had a significant obligation to be truthful in the Da Silva Affidavit and during his cross-examination on the Da Silva Affidavit. Da Silva mislead Staff with respect to his involvement in any business or undertaking which is in relation to the sale of securities and with respect to working with Shallow Oil.

36. Staff allege that between September, 2007 and January, 2008 Da Silva was a directing mind of Shallow Oil and was involved in the trading of Shallow Oil securities.

- **Grossman Misleading the Commission**

37. On January 16, 2008, the Commission issued an Order stating that: (i) all trading in securities by Shallow Oil shall cease and that all trading in Shallow Oil securities shall cease; and, (ii) O'Brien, Da Silva, Gahunia, and Grossman cease trading in all securities (the "Temporary Order"). On January 30 and 31, 2008, and on March 31, 2008, the Commission extended the Temporary Order.

38. On March 31, 2008, a hearing took place where the Commission considered whether it was appropriate to extend the Temporary Order against the respondents (the "March Hearing"). Grossman was the only respondent that attended the March Hearing and opposed Staff's request to continue the Temporary Order.

39. As part of Grossman's opposition to the extension of the Temporary Order, he tendered two documents entitled "Evidence Brief of Allen Grossman" that he referred to as Part 1 and 2, respectively. During the March Hearing these two documents were marked as exhibits number 2 and 3 on the Temporary Order. Included within exhibits 2 and 3 was an affidavit of Grossman (the "Grossman Affidavit") and copies of e-mail correspondence.

40. Grossman was cross-examined during the March Hearing.

41. Staff allege that Grossman made statements in the Grossman Affidavit, that he was not involved in any way in customer service or had any connection whatsoever to the sale of securities of Shallow Oil, that, in material respects, at the time and in light of the circumstances under which they were made, were misleading or untrue.

42. Staff allege that the e-mail correspondence tendered as evidence by Grossman during the March Hearing had been altered and as a result the e-mail correspondence was misleading or untrue.

43. Staff allege that during his cross-examination during the March Hearing, Grossman made a statement, that he had nothing to do with the sale of securities of Shallow Oil, that in a material respect and at the time and in the light of the circumstances under which it was made, was misleading or untrue.

44. Staff allege that during his cross-examination during the March Hearing, Grossman made statements, that he had never met Wayne Matthews and that he had never had any communications with Wayne Matthews, that, in material respects and at the time and in the light of the circumstances under which they were made, did not state a fact that is required to be stated or that is necessary to make the statements not misleading.

45. As a respondent in the Temporary Order proceedings initiated by the Commission, Grossman had a significant obligation to be truthful in the Grossman Affidavit and during his cross-examination before the Commission. Grossman made statements and provided documents to the Commission that misled the Commission with respect to his involvement in Shallow Oil.

46. Staff allege that between September, 2007 and January, 2008 Grossman was a directing mind of Shallow Oil, ran the day-to-day operations of the trading of Shallow Oil securities, and used the alias Wayne Matthews.

IV. ONTARIO COURT OF JUSTICE PROCEEDINGS

47. By information dated June 12, 2008 sworn by Staff pursuant to the *Provincial Offences Act*, R.S.O. 1990, c. P.33, as amended, Shallow Oil, Grossman, Da Silva and O'Brien were charged with contravening Ontario securities laws pursuant to section 122 of the Act. The conduct underlying those alleged breaches also forms the basis of the Statement of Allegations issued by Staff in this proceeding.

48. On May 18, 2011, Mr. Justice Kenkel of the Ontario Court of Justice (Central East Region) found Shallow Oil, Grossman, Da Silva and O'Brien guilty of breaches of Ontario securities laws.

49. Staff are aware that O'Brien is appealing his conviction by the Ontario Court of Justice.

V. CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND CONTRARY TO THE PUBLIC INTEREST

50. At the time of the trades described above, the Respondents were not registered to trade in securities pursuant to Ontario securities law. The Respondents traded in securities without being registered in accordance with Ontario securities law, contrary to section 25(1) of the Act, and acted contrary to the public interest.

51. No preliminary prospectus and no prospectus has been filed and no receipts have been issued to permit the trading of Shallow Oil securities. The trading in Shallow Oil securities by the Respondents was contrary to section 53(1) of the Act, and contrary to the public interest.

52. The Respondents made representations and undertakings to investors, with the intention of effecting trades of Shallow Oil securities, regarding the future listing and future value of Shallow Oil securities contrary to section 38 of the Act, and contrary to the public interest.

53. The Respondents have engaged in a course of conduct in relation to the securities of Shallow Oil that they knew or reasonably ought to have known would perpetrate a fraud on potential investors in Ontario and in other jurisdictions contrary to section 126.1 of the Act, and contrary to the public interest.

54. O'Brien, Da Silva, Grossman, and Gahunia were all subject to cease trade orders of the Commission at all material times related to these allegations. By trading in securities between September 2007 and January 2008, O'Brien, Da Silva, Grossman, and Gahunia breached the cease trade orders contrary to section 122 of the Act, and contrary to the public interest.

55. On December 18 and 21, 2007, Da Silva misled Staff contrary to section 122(1) of the Act, and contrary to the public interest.

56. On March 31, 2008, Grossman misled the Commission contrary to section 122(1) of the Act, and contrary to the public interest.

57. As directors or officers of Shallow Oil, O'Brien, Da Silva, and Grossman authorized, permitted or acquiesced in the breaches of sections 25(1), 53(1), 38, and 126.1 of the Act by Shallow Oil contrary to section 129.2 of the Act, and in so doing engaged in conduct contrary to the public interest.

58. Each of Shallow Oil, Grossman, Da Silva and O'Brien has been found by Mr. Justice Kenkel of the Ontario Court of Justice to have contravened the laws of the jurisdiction respecting the buying or selling of securities or derivatives which are circumstances which permit an order to be made pursuant to paragraph 3 of subsection 127(10) of the Act.

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

DATED at Toronto, May 14, 2012.

1.4. Notices from the Office of the Secretary

1.4.1 Shallow Oil & Gas Inc. et al.

**FOR IMMEDIATE RELEASE
May 16, 2012**

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

AND

**IN THE MATTER OF
SHALLOW OIL & GAS INC.,
ERIC O'BRIEN, ABEL DA SILVA,
ABRAHAM HERBERT GROSSMAN
also known as ALLEN GROSSMAN
and KEVIN WASH**

TORONTO – The Office of the Secretary issued an Amended Notice of Hearing on May 14, 2012 setting the matter down to be heard on June 18, 2012 at 10:00 a.m. and continuing on June 20, 21 and 22, 2012 or as soon thereafter as the hearing can be held in the above named matter.

A copy of the Amended Notice of Hearing dated May 14, 2012 and Amended Statement of Allegations of Staff of the Ontario Securities Commission dated May 14, 2012 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
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SECRETARY

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416-595-8934

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1.4.2 Frank Andrew Devcich and Gobinder Kular Singh

**FOR IMMEDIATE RELEASE
May 16, 2012**

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

AND

**IN THE MATTER OF
FRANK ANDREW DEVCICH
AND GOBINDER KULAR SINGH**

TORONTO – The Commission issued an Order in the above named matter which provides that:

1. Pursuant to Rule 11.5 of the Commission's *Rules of Procedure* (2010), 33 O.S.C.B. 8017, the oral hearing in this matter shall continue as a written hearing;
2. Staff of the Commission shall serve upon each Respondent and file with the Commission any evidence or submissions Staff wish the panel to consider on or before May 18, 2012;
3. If necessary, in the discretion of the panel, the panel will reconvene and the hearing of the matter will continue as an oral hearing on May 24, 2012, at 2:00 p.m. to address any questions the panel may have.

A copy of the Order dated May 15, 2012 is available at www.osc.gov.on.ca.

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1.4.3 Goldpoint Resources Corporation et al.

**FOR IMMEDIATE RELEASE
May 16, 2012**

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

AND

**IN THE MATTER OF
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**

TORONTO – The Commission issued an Order in the above named matter which provides that the parties attend before the Commission on August 15 and August 16, 2012 at 10:00 a.m. for a sanctions and costs hearing.

A copy of the Order dated May 11, 2012 is available at www.osc.gov.on.ca.

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1.4.4 Systematech Solutions Inc. et al.

**FOR IMMEDIATE RELEASE
May 17, 2012**

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

AND

**IN THE MATTER OF
SYSTEMATECH SOLUTIONS INC.,
APRIL VUONG AND HAO QUACH**

TORONTO – Take notice that the hearing in the above named matter scheduled to be heard on June 7, 2012 at 11:30 a.m., will be heard on June 7, 2012 at 2:30 p.m.

OFFICE OF THE SECRETARY
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1.4.5 L. Jeffrey Pogachar et al.

**FOR IMMEDIATE RELEASE
May 18, 2012**

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

AND

**IN THE MATTER OF
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.,
2126375 ONTARIO INC., 2108375 ONTARIO INC.,
2126533 ONTARIO INC., 2152042 ONTARIO INC.,
2100228 ONTARIO INC., 2173817 ONTARIO INC.,
AND 1660690 ONTARIO LTD.**

TORONTO – Following the sanctions hearing held on May 11, 2012, the Panel issued an Order in the above named matter with reasons to be issued in due course.

A copy of the Order dated May 17, 2012 is available at www.osc.gov.on.ca.

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1.4.6 Sino-Forest Corporation et al.

**FOR IMMEDIATE RELEASE
May 22, 2012**

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

AND

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

TORONTO – The Office of the Secretary issued a Notice of Hearing today setting the matter down to be heard on July 12, 2012 at 10:00 a.m. or as soon thereafter as the hearing can be held in the above named matter.

A copy of the Notice of Hearing dated May 22, 2012 and Statement of Allegations of Staff of the Ontario Securities Commission dated May 22, 2012 are available at www.osc.gov.on.ca.

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1.4.7 David Charles Phillips

**FOR IMMEDIATE RELEASE
May 16, 2012**

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

AND

**IN THE MATTER OF
DAVID CHARLES PHILLIPS**

TORONTO – The Office of the Secretary issued a Notice of Hearing on May 16, 2012 setting the matter down to be heard on May 30, 2012 at 2:30 p.m. to consider whether it is in the public interest for the Commission:

- (1) to extend the Temporary Order pursuant to subsections 127(7) and (8) of the Act until the conclusion of the hearing, or until such further time as considered necessary by the Commission; and
- (2) to make such further orders as the Commission considers appropriate.

A copy of the Notice of Hearing dated May 16, 2012 and Temporary Order dated May 15, 2012 are available at **www.osc.gov.on.ca**.

**OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY**

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1.4.8 Nicholas David Reeves

**FOR IMMEDIATE RELEASE
May 16, 2012**

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

AND

**IN THE MATTER OF
NICHOLAS DAVID REEVES**

TORONTO – The Commission issued an Order in the above named matter which provides that the hearing is adjourned to May 30, 2012 at 10:00 a.m.; and that Reeves file any written submissions or evidence on which he intends to rely by May 25, 2012.

A copy of the Order dated May 15, 2012 is available at **www.osc.gov.on.ca**.

**OFFICE OF THE SECRETARY
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Chapter 2

Decisions, Orders and Rulings

2.1. Decisions

2.1.1 Petrobank Energy and Resources Ltd.

Headnote

National Policy 11-102 Process for Exemptive Relief Applications – Insider reporting and resale of securities relief – Filer conducting a normal course issuer bid (NCIB) and funding its NCIB by selling shares of a subsidiary, under an automatic plan, which constitute control distributions – Filer to provide required disclosure of sales and proposed sales of subsidiary's shares on an alternative timeline.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 53, 74(1), 107, 121(2)(a)(ii)
NI 45-102 Resale of Securities, ss. 2.8, 3.1.

Citation: Petrobank Energy and Resources Ltd., Re, 2012 ABASC 203

May 11, 2012

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA AND ONTARIO
(The Jurisdictions)

AND

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

AND

IN THE MATTER OF
PETROBANK ENERGY AND RESOURCES LTD.
(The Filer)

DECISION

Background

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

- (a) from the requirement under section 3.3 of National Instrument 55-104 *Insider Reporting Requirements and Exemptions* (**NI 55-104**) and the requirement under subsection 107(2) of the *Securities Act* (Ontario) to file an insider report disclosing certain proposed sales of common shares (PetroBakken Shares) of PetroBakken Energy Ltd. (**PetroBakken**) by the Filer within 5 days of the completion of each such sale;
- (b) from the requirement under subsection 2.8(3)(iii) of National Instrument 45-102 *Resale of Securities* (**NI 45-102**) to file a notice disclosing certain proposed sales of PetroBakken Shares by the Filer within 3 days of the completion of each such sale; and
- (c) from the prospectus requirement under the Legislation respecting certain proposed sales of PetroBakken Shares by the Filer (the **Prospectus Relief**).

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

- (a) the Alberta Securities Commission is the principal regulator for this application;
- (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, Saskatchewan, Manitoba, Québec, New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador; and
- (c) this decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

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

Representations

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

- 1. The Filer is a corporation incorporated under the laws of Alberta.
- 2. The Filer is a reporting issuer or has equivalent status in each of the provinces and territories of Canada and is not in default of any of the requirements of securities legislation applicable to it.
- 3. The Filer's common shares are listed and posted for trading on the Toronto Stock Exchange (the **TSX**).
- 4. PetroBakken is a corporation incorporated under the laws of Alberta.
- 5. PetroBakken is a reporting issuer or has equivalent status in each of the provinces and territories of Canada.
- 6. The PetroBakken Shares are listed and posted for trading on the TSX.
- 7. PetroBakken was incorporated on 30 July 2009, becoming a wholly-owned subsidiary of the Filer.
- 8. On 30 September 2009, the Filer conveyed certain of its assets and liabilities to PetroBakken in exchange for 109,800,000 PetroBakken Shares.
- 9. The Filer currently holds 110,388,372 PetroBakken Shares, representing approximately 60% of the issued and outstanding shares of PetroBakken.
- 10. On 12 September 2011, the Filer announced that its board of directors had approved, and the TSX had accepted, the implementation of a normal course issuer bid by the Filer (the **Filer NCIB**).
- 11. Pursuant to the Filer NCIB, the Filer may repurchase up to 7,273,401 of its common shares (**Filer Shares**) during the period from 14 September 2011 to 13 September 2012 or until such earlier time as the Filer NCIB is completed or terminated at the option of the Filer.
- 12. On 12 September 2011, PetroBakken announced that its board of directors had approved, and the TSX had accepted, the implementation of a normal course issuer bid by PetroBakken (the **PetroBakken NCIB**).
- 13. Pursuant to the PetroBakken NCIB, PetroBakken may repurchase up to 9,361,755 PetroBakken Shares during the period from 14 September 2011 to 13 September 2012 or until such earlier time as the PetroBakken NCIB is completed or terminated at the option of PetroBakken.
- 14. The Filer has commenced the purchase of Filer Shares under the Filer NCIB in accordance with the rules of the TSX.
- 15. The Filer intends to fund purchases of Filer Shares under the Filer NCIB by selling up to 6,027,401 PetroBakken Shares.
- 16. The Filer and Scotia Capital Inc. (Scotia) entered into an automatic purchase and sale plan dated 13 April 2012 (the **Automatic Plan**), which plan governs all sales of PetroBakken Shares by the Filer and all purchases by the Filer of Filer Shares under the Filer NCIB.

17. Pursuant to the Automatic Plan:
- (a) all sales of PetroBakken Shares are conducted by Scotia on behalf of the Filer;
 - (b) all sales of PetroBakken Shares are made through the facilities of the TSX and other marketplaces, including ALPHA, OMEGA, PURE, Chi-X and Match Now, at prevailing market prices, with Scotia routing each sell order through a "best market-server" that allocates the order to whichever market or markets provides the most favourable corresponding bids;
 - (c) a target number of Filer Shares to be repurchased under the Filer NCIB on each trading day has been established based on the prevailing price difference between the PetroBakken Shares and Filer Shares and one PetroBakken Share is sold for each Filer Share repurchased under the Filer NCIB;
 - (d) no sales of PetroBakken Shares are made where the purchaser would be PetroBakken pursuant to the PetroBakken NCIB;
 - (e) all sales of PetroBakken Shares will be conducted over a period commencing on 23 April 2013 and ending on 13 September 2012, subject to the earlier termination of the Automatic Plan in accordance with its terms as described in paragraphs 19 and 20 (the Sales Period);
 - (f) all sales of PetroBakken Shares are made by Scotia with no participation by or direction or advice from the Filer; and
 - (g) the number of PetroBakken Shares sold on any particular trading day shall not exceed the lesser of a specified fixed limit and a limit determined as a percentage of daily trading volume, which latter limit varies depending on the prevailing price difference between the PetroBakken Shares and Filer Shares.
18. At the time of the implementation of the Automatic Plan, the Filer did not have knowledge of any material fact or material change respecting PetroBakken that had not been generally disclosed.
19. The Automatic Plan will be deemed to terminate on the first to occur of (i) 13 September 2012; (ii) the purchase of the maximum number of Filer Shares under the Filer NCIB; (iii) receipt by Scotia of the early termination notice referenced in paragraph 20; (iv) the commencement of any voluntary or involuntary proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or similar law or seeking the appointment of a trustee, receiver or other similar official, or the taking of any corporate action by the Filer to authorize or commence any of the foregoing; (v) the public announcement of a take-over bid for the Filer Shares or of a merger, amalgamation, acquisition, recapitalization or other similar business combination or transaction as a result of which the Filer Shares would be exchanged for or converted into cash, securities or other property; or (vi) the public announcement of a public offering of Filer Shares by the Filer.
20. The Filer may terminate the Automatic Plan by providing Scotia with a notice of early termination certifying to Scotia that: (i) it is terminating the plan in good faith and not as part of a plan or scheme to evade the prohibitions of subsection 147(2) of the *Securities Act* (Alberta), subsection 76(1) of the *Securities Act* (Ontario) or equivalent provisions in other jurisdictions; and (ii) it does not possess any material fact or material change about itself or its securities which has not been generally disclosed. The Filer may only deliver such notice of early termination at a time when it is not aware of any material fact or material change with respect to the Filer or PetroBakken or any of their securities that has not been generally disclosed. Promptly upon the delivery of such notice, the Filer must issue a news release advising of the early termination and confirming that, at the time of termination, the Filer was not aware of any material fact or material change with respect to the Filer or PetroBakken or any of their securities that had not been generally disclosed. Other than as provided in paragraphs 19 and 20, the Automatic Plan does not provide for any ability of the Filer to vary, suspend or terminate the Automatic Plan.
21. The Filer is a control person of PetroBakken, as that term is defined in the Legislation.
22. Any sale by the Filer of PetroBakken Shares as described above would constitute a control distribution as defined in NI 45-102.
23. On 13 April 2012, the Filer filed a Form 45-102F1 (the **Initial Form 45-102F1**) respecting the proposed sales of PetroBakken Shares under the Automatic Plan and has relied on the prospectus exemption provided for in section 2.8 of NI 45-102 in effecting the sales of PetroBakken Shares conducted to date.

24. On 13 April 2012, the Filer issued a news release announcing its intention to conduct the proposed sales of PetroBakken Shares and describing the material terms of the proposed sales, including the Sales Period and the maximum number of PetroBakken Shares that may be sold.
25. In the absence of the Requested Relief:
- (a) the Filer would be required to complete and file an insider report for each sale of PetroBakken Shares within three days of the completion of such sale; and
 - (b) the Filer would be required to refile a Form 45-102F1 respecting proposed sales of PetroBakken Shares every 30 days over the course of the Sales Period and, for a period of seven days following each refiling, refrain from selling any PetroBakken Shares.
26. If the Requested Relief is granted, the Filer will file, within 10 days of the end of each month in which it has sold PetroBakken Shares, an insider report disclosing each such sale.
27. The grant of the Requested Relief would relieve the Filer of the administrative burden of repeated insider trade and Form 45-101F1 filings, while still providing timely and meaningful disclosure to market participants of the intended and completed control distributions by the Filer of PetroBakken Shares.

Decision

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

The Decision of the Decision Makers under the Legislation is that the Requested Relief is granted to the Filer provided that:

- (a) the Filer complies with the representation in paragraph 26;
- (b) the Initial Form 45-102F1 shall be deemed to expire at the end of the Sales Period and the Filer shall conduct no further sales of PetroBakken Shares under the Automatic Plan following its expiry; and
- (c) the Prospectus Relief with respect to each sale of PetroBakken Shares under the Automatic Plan is subject to the following conditions:
 - (i) PetroBakken is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade;
 - (ii) the Filer has held such PetroBakken Shares for at least four months;
 - (iii) no unusual effort is made to prepare the market or to create a demand for the PetroBakken Shares;
 - (iv) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and
 - (v) the Filer has no reasonable grounds to believe that PetroBakken is in default of securities legislation.

For the Commission:

"Glenda Campbell", QC
Vice-Chair
Alberta Securities Commission

"Stephen Murison"
Vice-Chair
Alberta Securities Commission

2.1.2 Scotia Asset Management L.P.

Headnote

National Policy 11-203 – Process for Exemptive Relief applications in Multiple Jurisdictions – Middle funds in three-tier structure granted relief from seed capital requirements in subsection 3.1(1) of NI 81-102 – Mutual funds granted relief from certain restrictions in NI 81-102 on securities lending transactions, including (i) the 50% limit on lending; (ii) the requirement to use the fund's custodian or sub-custodian as lending agent; and (iii) the requirement to hold the collateral during the course of the transaction – Mutual funds invest their assets in a basket of Canadian equity securities that are pledged to a Counterparty for performance of the funds' obligations under forward contracts giving the funds exposure to underlying interests – Mutual funds wanting to lend 100% of the basket of Canadian equity securities – not practical for custodian to act as securities lending agent as it does not have control over the Canadian equity securities – counterparties must release its security interest in the Canadian equity securities in order to allow the funds to lend such securities, provided the funds grant the Counterparties a security interest in the collateral held by the fund for the loaned securities – National Instrument 81-102 Mutual Funds

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 2.12(1)1, 2.12(1)2, 2.12(1)12, 2.12(3), 2.15, 2.16, 3.1(1), 6.8(5), 19.1.

May 15, 2012

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
SCOTIA ASSET MANAGEMENT L.P.
(SAM)

AND

THE UNDERLYING FUNDS (as defined below)
(collectively, the Filers)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filers for a decision (the “**Exemptions Sought**”) under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) exempting:

- (a) the Filers from the requirements of subsection 3.1(1) of National Instrument 81-102 *Mutual Funds* (**NI 81-102**) to permit the filing of a simplified prospectus for an Underlying Fund notwithstanding that the investment required under paragraph 3.1(1)(a) of NI 81-102 will be provided, and the securities beneficially-owned, by one or more Funds and not by one of, or a combination of, the persons named in paragraph 3.1(1)(a) of NI 81-102 (the “**Seed Capital Relief**”); and
- (b) the Underlying Funds, together with all other mutual funds now or in the future managed by SAM or an affiliate thereof in respect of which the representations set out below under “Facts – Securities Lending Funds” are applicable (each a “**Securities Lending Fund**” and collectively, the “**Securities Lending Funds**”), from:
 - (i) paragraph 2.12(1)1 of NI 81-102 to permit each Securities Lending Fund to enter into securities lending transactions that will not be administered in compliance with all the requirements of sections 2.15 and 2.16 of NI 81-102;

- (ii) paragraph 2.12(1)2 of NI 81-102 to permit each Securities Lending Fund to enter into written agreements pertaining to its securities lending transactions that implement the requirements of section 2.12 of NI 81-102, except as set out herein;
- (iii) paragraph 2.12(1)12 of NI 81-102 to permit each Securities Lending Fund to enter into securities lending transactions in which the aggregate market value of all securities loaned by the Securities Lending Fund exceeds 50 percent of the total assets of the Securities Lending Fund;
- (iv) subsection 2.12(3) of NI 81-102 to permit each Securities Lending Fund, during the term of a securities lending transaction, to not hold or to dispose of any non-cash collateral delivered to it as a collateral in the transaction;
- (v) section 2.15 of NI 81-102 to permit each Securities Lending Fund to appoint an agent (the “**Agent**”), other than the custodian or sub-custodian of the Securities Lending Fund, as agent for administering the securities lending transactions entered into by the Securities Lending Fund;
- (vi) section 2.16 of NI 81-102 to the extent this section contemplates that securities lending transactions be entered into through an agent appointed under section 2.15 of NI 81-102; and
- (vii) subsection 6.8(5) of NI 81-102 to permit the collateral delivered to each Securities Lending Fund in connection with a securities lending transaction to not be held under the custodianship of the custodian or a sub-custodian of the Securities Lending Fund,

(collectively, the “**Securities Lending Relief**”).

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(1) 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 National Instrument 14-101 – *Definitions*, MI 11-102 or NI 81-102 have the same meanings if used in this decision, unless otherwise defined.

For purposes of this decision:

“**Funds**” means Scotia Short Term Yield Class, Scotia Conservative Government Bond Capital Yield Class, Scotia Canadian Corporate Bond Capital Yield Class, Scotia INNOVA Income Portfolio Class, Scotia INNOVA Balanced Income Portfolio Class, Scotia INNOVA Balanced Growth Portfolio Class, Scotia INNOVA Growth Portfolio Class and any other similar open-end investment classes of Scotia Corporate Class Inc. of which SAM or an affiliate thereof will be the investment fund manager in the future and which is permitted by its investment strategies to seek exposure to fixed-income securities through investments in other mutual funds.

“**Underlying Funds**” means Scotia Canadian Income LP, Scotia Conservative Government Bond LP and Scotia Canadian Corporate Bond LP and any other mutual fund that is, or in the future becomes, managed by SAM or an affiliate thereof 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 public issuers and by entering into one or more specified derivatives contracts (each a “**Forward Agreement**” and collectively, the “**Forward Agreements**”) with one or more counterparties (each a “Counterparty”) in order to obtain exposure to a Reference Fund.

“**Reference Funds**” means Scotia Private Short-Mid Government Bond Pool, Scotia Canadian Income Pool, Scotia Canadian Corporate Bond Pool and any other mutual fund that is, or in the future becomes, managed by SAM or an affiliate thereof and that invests in a portfolio of fixed income securities.

Representations

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

1. SAM is an Ontario limited partnership, which is wholly-owned, directly or indirectly, by The Bank of Nova Scotia ("BNS").
2. The general partner of SAM is Scotia Asset Management G.P. Inc., an Ontario corporation wholly-owned, directly or indirectly, by BNS with its head office in Toronto, Ontario.
3. SAM is registered as an investment fund manager, exempt market dealer and commodity trading manager in Ontario and as a portfolio manager in each of the provinces and territories of Canada, excluding the Northwest Territories and Nunavut.
4. SAM, or an affiliate, is or will be the investment fund manager to each of the Funds, Underlying Funds and Reference Funds.
5. SAM is not in default of the Legislation or the securities legislation of any Passport Jurisdiction.

The Funds

6. Each Fund is or will be:
 - (a) an open-end investment class of Scotia Corporate Class Inc. (the "**Corporation**"), a mutual fund corporation to be incorporated under the laws of Canada in respect of which SAM will be the investment fund manager;
 - (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.
7. Each Fund has 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.
8. 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. Investments by the Funds in the securities of the Underlying Funds will be made in accordance with the requirements of section 2.5 of NI 81-102.

The Underlying Funds

9. Each Underlying Fund is or will be:
 - (a) a newly-created open-ended mutual fund organized as a limited partnership governed by the laws of Ontario pursuant to a limited partnership agreement;
 - (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.
10. Each Underlying Fund will be organized as a limited partnership (and not as a trust) because there is no intention to distribute securities of an Underlying Fund to investors other than to the Corporation in respect of one or more class of mutual fund shares of the Corporation. An Underlying Fund organized as a trust is not tax efficient in these circumstances, because to obtain flow-through treatment of income for tax purposes a trust must have at least 150 unitholders. A limited partnership, however, can provide flow-through tax treatment, without the necessity of having 150 holders of its securities.
11. SAM is of the view that organizing an Underlying Fund as a limited partnership (as opposed to a trust) does not pose any significant incremental risks to the shareholders of the Corporation.
12. Pursuant to applicable partnership law, a limited partner may lose its limited liability by taking part in the control of the business of a limited partnership. However, SAM will act as the investment fund manager and portfolio manager of

both the Corporation and each Underlying Fund and as such will direct the business, operations and affairs of each entity. SAM will clarify in its relations on behalf of an Underlying Fund that it is not acting on behalf of any limited partner when acting as investment fund manager or portfolio manager of an Underlying Fund. Since the Corporation will not take part in the control of the business of any Underlying Fund, there should not be a risk of the Corporation losing its limited liability on this basis.

13. It is also the case that, where a limited partner has received the return of all or part of its contribution to a limited partnership, the limited partner will be liable to the limited partnership or, where the limited partnership is dissolved, to its creditors for any amount, not in excess of the amount returned with interest, necessary to discharge the liabilities of the limited partnership to creditors who extend credit or whose claims otherwise arose before the return of the contribution. Given the proposed activities of the Underlying Funds, however, all of which will be subject to NI 81-102 (subject to any exemptions therefrom that may be available under applicable securities legislation or granted by the securities regulatory authorities), it is difficult to envisage circumstances in which an Underlying Fund will not have the assets necessary to discharge its liabilities. Further, SAM does not intend to return contributions that would lead to the foregoing type of liability. Moreover, any contracts that an Underlying Fund enters will contain a limitation of liability, pursuant to which the Counterparty to the contract will agree that its only recourse will be to the assets of the Underlying Fund. While this limitation will not apply in the circumstances described above, for the foregoing reasons SAM does not consider this to be a significant risk. In any event, as the Corporation is a corporation, the liability of its shareholders will be limited to the amount of their investment in the Corporation.
14. The investment objective of Scotia Conservative Government Bond LP is to provide income and modest capital gains by primarily providing exposure to bonds and treasury bills issued or guaranteed by Canadian federal, provincial and municipal governments or agency of such governments, and money market instruments of Canadian issuers, including commercial paper, bankers' acceptances, asset-backed or mortgage-backed securities and guaranteed investment certificates. The Underlying Fund will obtain such exposure using forward contracts, deposit notes or other derivatives to gain exposure to the return of Scotia Private Short-Mid Government Bond Pool (the "Reference Fund").
15. The investment objective of Scotia Canadian Corporate Bond LP is to provide a high level of income and modest capital gains by primarily providing exposure to bonds issued by Canadian corporations. The Underlying Fund will obtain such exposure using forward contracts, deposit notes or other derivatives to gain exposure to the return of Scotia Private Canadian Corporate Bond Pool (the "Reference Fund").
16. The investment objective of Scotia Canadian Income LP is to provide income returns with a high level of income and modest capital gains by gaining exposure primarily to bonds and treasury bills issued or guaranteed by Canadian federal, provincial and municipal governments and Canadian corporations, Canadian money market instruments and high-quality dividend-paying shares of Canadian corporations. The Underlying Fund will obtain such exposure using forward contracts, deposit notes or other derivatives to gain exposure to the return of Scotia Canadian Income Fund (the "Reference Fund").
17. The investment objectives of each future Underlying Fund will be determined in the future and will be consistent with the investment objectives of the related Reference Fund.
18. Each Underlying Fund is, and future Underlying Fund will be, a "clone fund" as defined in NI 81-102.
19. In seeking its investment objective, an Underlying Fund may obtain exposure to a Reference Fund by investing primarily in a basket of equity securities issued by Canadian public issuers and by entering into one or more Forward Agreements with one or more Counterparties.
20. SAM expects that gains derived from the disposition of securities under the Forward Agreements will be treated as capital gains and will be allocated to Funds which are limited partners in the Underlying fund, as capital gains for income tax purposes.
21. 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.

Reference Funds

22. Each Reference Fund is or will be:
 - (a) an open-end mutual fund established under the laws of Ontario in respect of which SAM or an affiliate thereof acts as investment fund manager;
 - (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.
23. Each Reference Fund invests in a portfolio of fixed-income securities.
24. The Reference Funds are not in default of the Legislation or the securities legislation of any Passport Jurisdiction.

Seed Capital of the Underlying Funds

25. One or more Funds may invest in an Underlying Fund. SAM or an affiliate will invest more than \$150,000 in a Fund that intends to make an investment in an Underlying Fund. The amount above \$150,000 to be invested by SAM or an affiliate in each such Fund will be used by such Fund to make an investment in units of one or more Underlying Funds such that after such investments, each Underlying Fund will have an amount of not less than \$150,000 (the “**Underlying Fund Seed Capital**”) and each Fund will have an amount of not less than \$150,000 (the “**Fund Seed Capital**”). No Fund will redeem any of the mutual fund shares of the Fund that relate to the Fund Seed Capital and no Underlying Fund will redeem any of the units of the Underlying Fund that relate to the Underlying Fund Seed Capital until at least \$500,000 has been received by the Fund from investors other than SAM or an affiliate. Initially, the Underlying Fund Seed Capital amount will be invested directly in fixed income securities until the first derivatives transaction is entered into.

Securities Lending Funds

26. Each Securities Lending Fund will be (a) an open-end mutual fund established under the laws of Ontario; (b) a reporting issuer under the Legislation and each Passport Jurisdiction; (c) initially qualified for distribution in Ontario and each Passport Jurisdiction pursuant to a simplified prospectus and annual information form that has been prepared and filed in accordance with the Legislation; and (d) a mutual fund to which NI 81-102 applies.
27. Each Securities Lending Fund’s investment objectives will include seeking the provision of returns similar to those of a specific type of investment. Each Securities Lending Fund’s investment objectives will state that it may use specified derivatives to achieve such investment objectives.
28. A Securities Lending Fund may pursue its investment objectives by means of specified derivatives. Generally, each Securities Lending Fund will invest its assets in a portfolio (an “**Equity Portfolio**”) consisting of securities of Canadian public issuers that are Canadian securities for the purposes of the *Income Tax Act* (Canada). The Equity Portfolio of a Securities Lending Fund will generally be a portfolio that is not actively managed except in limited circumstances. Each Securities Lending Fund will also enter into one or more Forward Agreements, with one or more Counterparties to effectively replace the economic return on its Equity Portfolio with the economic return on an underlying interest (such as another mutual fund, one or more indices or a notional basket of different securities) to achieve the Securities Lending Fund’s investment objectives.
29. Each Securities Lending Fund will pledge its Equity Portfolio to its Counterparty (or the portion thereof that is subject to the relevant Forward Agreement with that Counterparty) as collateral security for performance of the Securities Lending Fund’s obligations under its Forward Agreement with that Counterparty. The Equity Portfolio (or that portion thereof that has been pledged) will be held by the Counterparty as security for the Securities Lending Fund’s obligations under the applicable Forward Agreement.
30. SAM may propose to engage in securities lending transactions on behalf of a Securities Lending Fund that may represent up to 100 percent of the net assets of that Securities Lending Fund, in order to earn additional returns for that Securities Lending Fund. The Filer proposes to arrange for the Equity Portfolio (or a portion thereof) to be lent to one or more borrowers, indirectly through one or more Agents, other than the Securities Lending Fund’s custodian or sub-custodian.
31. Each Agent shall be acceptable to the Securities Lending Fund and Counterparty and shall be either a Canadian financial institution or an affiliate thereof. It is not practical for a Securities Lending Fund’s custodian or sub-custodian to act as an Agent with respect to the Securities Lending Fund’s securities lending transactions as the custodian or sub-custodian will not have control over the Securities Lending Fund’s Equity Portfolio because the Equity Portfolio (or a portion thereof) will be pledged as described in paragraph 29 above. SAM will ensure that any Agent through which a Securities Lending Fund lends securities maintains appropriate internal controls, procedures and records for securities lending transactions as prescribed in subsection 2.16(2) of NI 81-102.

32. A Counterparty must release its security interest in the securities in the Equity Portfolio of a Securities Lending Fund in order to allow the Securities Lending Fund to lend such securities, but will generally only do so provided that the Securities Lending Fund grants to it a security interest in the collateral held by the Securities Lending Fund pursuant to the securities lending transaction.
33. To facilitate the Counterparty's release of its security interest in the securities of the Equity Portfolio of a Securities Lending Fund, securities in the Equity Portfolio will be loaned only to borrowers that are acceptable to the Securities Lending Fund and the Counterparty, and that have an approved credit rating or whose obligations to the Securities Lending Fund are fully and unconditionally guaranteed by persons or companies that have such a credit rating. A borrower may include an affiliate of the Counterparty. Whether a borrower is an affiliate or is not an affiliate of the Counterparty or an Agent will not affect the revenues from securities lending transactions received by the Securities Lending Fund. To facilitate the Counterparty's perfection of its security interest in the collateral for the loaned securities, SAM will ensure that such collateral is held by a registered dealer and member of the Investment Industry Regulatory Organization of Canada ("IIROC") or a custodian that meets the requirements of section 6.2 of NI 81-102.
34. Revenue generated from a Securities Lending Fund's securities lending transactions will be paid to such Fund.
35. The collateral received by a Securities Lending Fund in respect of a securities lending transaction, and in which the Counterparty will have a security interest, will be in the form of cash, qualified securities or other collateral permitted by paragraph 2.12(1)6 of NI 81-102, other than collateral described in subparagraph 2.12(1)6(d) or in paragraph (b) of the definition of "qualified security". The non-cash collateral will be held by the Agent in the name of the Counterparty and will not be reinvested in any other types of investment products.
36. The prospectus and annual information form of each Securities Lending Fund will disclose that the Securities Lending Fund may enter into securities lending transactions. Other than as set forth herein, any securities lending transactions on behalf of a Securities Lending Fund will be conducted in accordance with the provisions of NI 81-102.

Decision

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

The Decision of the principal regulator under the Legislation is that the Exemptions Sought are granted; provided that:

- (a) with respect to the exemption from paragraph 2.12(1)12 of NI 81-102, each Securities Lending Fund enters into a Forward Agreement with an applicable Counterparty and grants that Counterparty a security interest in the securities subject to that Forward Agreement and, in connection with a securities lending transaction relative to those securities,
 - (i) receives the collateral that
 - A. is prescribed by paragraphs 2.12(1)3 to 6 of NI 81-102 other than collateral described in subparagraph 2.12(1)6(d) or in paragraph (b) of the definition of "qualified security"; and
 - B. is marked to market on each business day in accordance with paragraph 2.12(1)7 of NI 81-102;
 - (ii) has the rights set forth in paragraphs 2.12(1)8, 2.12(1)9 and 2.12(1)11 of NI 81-102;
 - (iii) complies with paragraph 2.12(1)10 of NI 81-102; and
 - (iv) lends its securities only to borrowers that are acceptable to the Securities Lending Fund and the Counterparty, and that have an approved credit rating or whose obligations to the Securities Lending Fund are fully and unconditionally guaranteed by persons or companies that have such a credit rating;
- (b) with respect to the exemption from subsection 2.12(3) of NI 81-102, each Securities Lending Fund provides a security interest to the applicable Counterparty in the collateral delivered to it as collateral pursuant to a securities lending transaction as described in representation 32;
- (c) with respect to the exemption from subsection 2.15 of NI 81-102:
 - (i) SAM and the Securities Lending Fund enter into a written agreement with the Agent that complies with each of the requirements set forth in subsection 2.15(4) of NI 81-102;
 - (ii) the Agent administering the securities lending transaction of each Securities Lending Fund:

- A. is in compliance with the standard of care prescribed in subsection 2.15(5) of NI 81-102; and
 - B. shall be acceptable to the Securities Lending Fund and Counterparty and shall either be a bank or trust company described in paragraphs 1 or 2 of section 6.2 of NI 81-102 or an investment bank affiliate of such bank or trust company that is registered as an investment dealer or in an equivalent category of registration;
- (d) with respect to the exemption from section 2.16 of NI 81-102, the Filer and the Securities Lending Fund comply with the requirements of section 2.16 of NI 81-102 as if the Agent appointed by the Filer were the agent contemplated in that section; and
- (e) with respect to the exemption from subsection 6.8(5) of NI 81-102, each Securities Lending Fund:
 - (i) provides a security interest to the applicable Counterparty in the collateral delivered to it as collateral pursuant to a securities lending transaction as described in representation 32; and
 - (ii) the collateral delivered to the Securities Lending Fund pursuant to the securities lending transaction is held by a registered dealer and member of the IIROC or a custodian that meets the requirements of section 6.2 of NI 81-102, as described in representation 33.

"Raymond Chan"
Manager, Investment Funds
Ontario Securities Commission

2.1.3 TD Asset Management Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Large portfolio manager, exempt market dealer, commodity trading manager and investment fund manager with separate investment fund manager and portfolio manager operating divisions exempted from the requirement to register an individual as a chief compliance officer (CCO) – permitted to register two CCOs, one for each operating division.

Statutes Cited

National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, ss. 11.3, 15.1.

May 17, 2012

**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
TD 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 the requirement contained in section 11.3 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) that the Filer designate an individual to be the chief compliance officer (**CCO**) so that the Filer will be permitted to designate two individuals as CCOs, with the result that there will be a separate CCO in respect of each of two distinct lines of business carried on by the Filer (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 the purpose of the 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 all of the provinces and territories of Canada outside of Ontario (the **Non-principal Jurisdictions** and, together with the Jurisdiction, the **Filing Jurisdictions**).

Interpretation

Terms defined in NI 31-103, 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 by the Filer:

1. The Filer is a corporation amalgamated under the laws of the Jurisdiction, on January 1, 1996.
2. The Filer has its head office in the Jurisdiction.
3. The Filer is registered as an investment fund manager in the Jurisdiction and will register as an investment fund manager in any other Non-principal Jurisdiction where such registration may be required.
4. The Filer is registered as a portfolio manager in the Jurisdiction and in each of the Non-principal Jurisdictions.
5. The Filer is registered as a commodity trading manager in the Jurisdiction.
6. The Filer is registered as an exempt market dealer in the Jurisdiction and in each of the Non-principal Jurisdictions.
7. The Filer is not, to the best of its knowledge, in default of any requirements of securities legislation in any of the Filing Jurisdictions.
8. The Filer has two distinct operating lines of business (each, a **Division**):
 - (a) one Division (the **IFM Division**) currently provides investment fund management services to six families of investment funds that are subject to National Instrument 81-102 *Mutual Funds* (the **NI 81-102 Funds**) and to five families of investment funds that are not NI 81-102 Funds (the **Pooled Funds**) representing a total of 193 investment funds; and
 - (b) one Division (the **PM Division**) provides discretionary portfolio management services to institutional clients, including corporations, pension plans, endowments, unions, the NI 81-102 Funds and the Pooled Funds, and high-net-worth individuals, and distributes securities to accredited investors.

9. The Filer wishes to designate one individual who is registered under securities legislation in the Filing Jurisdictions in the category of CCO as CCO of the IFM Division and a different individual who is registered under securities legislation in the Filing Jurisdictions in the category of CCO as CCO of the PM Division.
10. Each of the IFM Division and the PM Division has a well-established separate and distinct business supervisory and operational structure. Each of the IFM Division and the PM Division has specific compliance professionals designated to each Division.
11. Given the scope and specialized and diversified business operations within each Division of the Filer, the CCO of each Division requires a different set of skills, experience and focus to effectively manage the applicable compliance program.
12. If the Exemption Sought is granted, the CCO of the PM Division will oversee compliance systems that are reasonably designed to ensure that the portfolio manager and each person acting on its behalf comply with securities legislation. The CCO of the PM Division will focus on the applicable government laws, rules, regulations, policies and codes of conduct which govern the portfolio management, exempt market dealer and commodity trading manager activities of the Filer in the jurisdictions in which it operates. To this end, the CCO of the PM Division will maintain a compliance process and infrastructure throughout the portfolio management business so as to enable the Filer's management to fulfill its portfolio management compliance responsibilities. This includes maintaining appropriate policies and procedures and overseeing a supervisory structure that monitors the portfolio management activities, employee trading, conflicts of interest and the exempt market dealer and commodity trading manager activities.
13. If the Exemption Sought is granted, the CCO of the IFM Division will oversee compliance systems that are reasonably designed to ensure that the investment fund manager and each person acting on its behalf comply with securities legislation. To this end, the CCO of the IFM Division will maintain appropriate policies and procedures for investment fund management activities and oversee a supervisory structure that monitors compliance. This includes overseeing compliance with the requirements governing: (i) public offering and continuous disclosure of the NI 81-102 Funds and Pooled Funds; (ii) sales practices and sales communications; (iii) fiduciary obligations for management functions that are outsourced; (iv) conflict identification and management; and (v) self dealing.
14. Considering the Filer is part of a large financial institution, the CCO of the IFM Division will report to the CCO of the PM Division for corporate organizational purposes. The matters on which the CCO of the IFM Division will report to the CCO of the PM Division include, but are not limited to, the following: human resources matters (including staffing levels, hiring decisions, performance appraisals and vacation approvals), departmental initiatives (including strategic planning, goal setting and efficiency evaluation) and governance reporting. However, in the event that the CCO of the IFM Division determines, in his/her sole discretion, that any of these matters overlap with, or directly or indirectly influence or affect, matters set out in section 5.2 of NI 31-103, the CCO of the IFM Division shall report directly to the ultimate designated person (**UDP**) on such matters. As well, each of the CCOs has responsibilities that are in addition to his/her CCO responsibilities. For example, the CCO of the PM Division has executive level management responsibilities. It is intended that the CCO for the IFM Division will also be CCO of another affiliated investment fund manager.
15. NI 31-103 was implemented on September 28, 2009 (the **Implementation Date**). Under sections 11.2 and 11.3 of NI 31-103, a registered firm is required to designate an individual to be the UDP and an individual to be the CCO (the **CCO Requirement**).
16. Prior to the Implementation Date, the Filer had one CCO for the PM Division as required by applicable law and had another compliance professional acting in a capacity similar to a CCO for the IFM Division. The person acting in this capacity reported to the CCO of the PM Division. Since the Implementation Date, the Filer has had one individual registered as CCO for both the PM Division and the IFM Division. The CCO is supported by a team of compliance professionals with responsibilities targeted for each Division.
17. Given the size, diversity and increasing complexity of the Filer's PM Division and the IFM Division, it is (i) unreasonable for one individual to be expected to effectively carry out all of the responsibilities of the CCO for both the PM Division and the IFM Division, (ii) difficult for one CCO to effectively identify and stay abreast of the different issues and risks applicable to clients and the capital markets stemming from both the PM Division and the IFM Division, and (iii) difficult to escalate all such issues and risks to the UDP and the board of directors of the Filer in a timely and effective manner. If the Exemption Sought is granted, each CCO will have direct access to the Filer's UDP, will provide reports to the board of directors of the Filer and will comply in all other respects with applicable securities requirements, including the requirements set out in NI 31-103.

18. With the granting of the Exemption Sought, the Filer would continue its operations with enhanced compliance effectiveness, since one individual would no longer continue to divide his/her time between the compliance oversight of the IFM Division and the PM Division. Not granting the Exemption Sought would prevent the CCOs from responding more quickly to address the Filer's compliance issues, providing a higher level of senior participation on the Filer's compliance projects and initiatives, and undertaking more detailed reviews of the Filer's compliance monitoring programs to assist in reducing the risks of non-compliance.
19. In section 5.2 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registration Obligations*, the Canadian Securities Administrators indicate that:

"Firms must designate one CCO. However, in large firms, the scale and kind of activities carried out by different operating divisions may warrant the designation of more than one CCO. We will consider applications, on a case-by-case basis, for different individuals to act as the CCO of a firm's operating divisions."
20. Designating only one CCO for the purposes of satisfying the CCO Requirement in the Legislation in the circumstances of the Filer is not consistent with the policy objectives the Legislation is intended to achieve because the PM Division and the IFM Division are independent operations that are distinct from one another in kind and conducted on a large scale.

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 Filer designate:

1. only one individual to be CCO of the PM Division; and
2. only one individual to be CCO of the IFM Division.

"Marrienne Bridge"
Deputy Director
Compliance and Registrant Regulation
Ontario Securities Commission

2.1.4 Encana Corporation

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Filer granted exemption from the prospectus requirement in connection with trades of commercial paper/short term debt instruments that may not meet the "approved credit rating" requirement for the purpose of the short-term debt exemption in section 2.35 of National Instrument 45-106 Prospectus and Registration Exemptions – Commercial paper/short term debt instruments only required to obtain one prescribed credit rating from an approved credit rating organization - Relief granted subject to conditions.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 53, 74(1).

Citation: Encana Corporation, Re, 2012 ABASC 155

April 24, 2012

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA AND ONTARIO
(THE JURISDICTIONS)

AND

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

AND

IN THE MATTER OF
ENCANA CORPORATION
(THE FILER)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Maker**) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) that trades of negotiable promissory notes or commercial paper, maturing not more than one year from the date of issue, of the Filer (**Commercial Paper**) be exempt from the prospectus requirement of the Legislation (the **Exemption Sought**).

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

- (a) the Alberta Securities Commission is the principal regulator for this application;
- (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 British Columbia, Saskatchewan, Manitoba, Québec, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut (the **Passport Jurisdictions**); and
- (c) this decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* or MI 11-102 have the same meanings in this decision, unless otherwise defined herein.

In this decision:

"Asset-backed Short-term Debt" means short-term debt that is backed, secured or serviced by or from, a discrete pool of mortgages, receivables or other financial assets or interests designed to ensure the servicing or timely distribution of proceeds to holders of that short-term debt;

"NI 31-103" means National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Relationships*;

"NI 45-106" means National Instrument 45-106 *Prospectus and Registration Exemptions*; and

"NI 81-102" means National Instrument 81-102 *Mutual Funds*.

Representations

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

1. The Filer is a corporation governed under the *Canada Business Corporations Act* with its head and registered office in Calgary, Alberta.
2. The Filer is a reporting issuer in the Jurisdictions and the Passport Jurisdictions. The Filer is not in default of its reporting issuer obligations under the Legislation or the securities legislation of the Jurisdictions and Passport Jurisdictions.
3. Subsection 2.35(b) of NI 45-106 provides that the exemption from the prospectus requirement of the Legislation for short-term debt (the **Commercial Paper Exemption**) is available only where such short-term debt "has an approved credit rating from an approved credit rating organization". NI 45-106 incorporates by reference the definitions for "approved credit rating" and "approved credit rating organization" in NI 81-102.
4. The definition of "approved credit rating" in NI 81-102 requires, among other things, that (a) the rating assigned to particular debt must be "at or above" certain prescribed short-term ratings, and (b) such debt must not have been assigned a rating by any "approved credit rating organization" that is not an "approved credit rating".
5. The Commercial Paper does not meet the "approved credit rating" definition in NI 81-102 because it has received an "R-2 (high)" rating from DBRS Limited, a "P-2" rating from Moody's Investors Service and an "A-2" rating from Standard & Poor's, which are lower ratings than those required by the Commercial Paper Exemption. The Commercial Paper is not currently rated by Fitch Ratings Ltd.
6. The Filer has been granted relief similar in nature to the Exemption Sought under a decision document of the Decision Maker dated 4 March 2009, which has not yet expired (the **Prior Decision**).

Decision

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

1. The decision of the Decision Makers is that the Exemption Sought is granted provided that:
 - (a) the Commercial Paper:
 - (i) matures not more than one year from the date of issue;
 - (ii) is not convertible or exchangeable into or accompanied by a right to purchase another security other than Commercial Paper;
 - (iii) is not Asset-backed Short-term Debt; and
 - (iv) has a rating issued by one of the following rating organizations, or any of their successors, at or above one of the following rating categories or a rating category that replaces a category listed below:

Rating Organization	Rating
DBRS Limited	R-1 (low)
Fitch Ratings Ltd.	F2
Moody's Investors Service	P-2
Standard & Poor's	A-2

- (b) each trade of Commercial Paper to a resident in a jurisdiction in Canada by the Filer in reliance on this exemption is made: (i) through an agent who is a registered dealer, registered in a category that permits the trade; (ii) through a bank listed in Schedule I, II or III to the Bank Act (Canada) trading in reliance on an exemption from registration available in the circumstances in the jurisdiction or jurisdictions in which the trade occurs; or (iii) through a dealer permitted to rely on the "international dealer exemption" under section 8.18 of NI 31-103; and
- (c) for each jurisdiction of Canada, the Exemption Sought will terminate on the earlier of:
- (i) 90 days after the coming into force of any rule, other regulation or blanket order or ruling under the securities legislation of that jurisdiction of Canada that amends the conditions of the prospectus exemption under section 2.35 of NI 45-106 or provides an alternate exemption; and
- (ii) 30 June 2017; and
- (d) the Prior Decision is revoked effective as of the date hereof.

For the Commission:

"Glenda Campbell", QC
Vice-Chair
Alberta Securities Commission

"Stephen Murison"
Vice-Chair
Alberta Securities Commission

2.1.5 Reliable Energy Ltd. – s. 1(10)

Headnote

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

Applicable Legislative Provisions

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

Citation: Reliable Energy Ltd., Re, 2012 ABASC 209

May 22, 2012

Norton Rose Canada LLP
3700, 400 - 3 Avenue SW
Calgary, AB T2P 4H2

Attention: Kristalee Trasure

Dear Madam:

**Re: Reliable Energy Ltd. (the Applicant) –
Application for a decision under the securities
legislation of Alberta and Ontario (the
Jurisdictions) that the Applicant is not a
reporting issuer**

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

As the Applicant has represented to the Decision Makers that:

- (a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in each of the jurisdictions in Canada and fewer than 51 security holders in total in Canada;
- (b) no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;
- (c) the Applicant is applying for a decision that it is not a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and
- (d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

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

ceased to be a reporting issuer and that the Applicant's status as a reporting issuer is revoked.

"Blaine Young"
Associate Director, Corporate Finance

2.2 Orders

will continue as an oral hearing on May 24, 2012, at 2:00 p.m. to address any questions the panel may have.

2.2.1 Frank Andrew Devcich and Gobinder Kular Singh

DATED at Toronto this 15th day of May, 2012.

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

"Edward P. Kerwin"

AND

**IN THE MATTER OF
FRANK ANDREW DEVCICH
AND GOBINDER KULAR SINGH**

ORDER

WHEREAS on March 22, 2012, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") in respect of Frank Andrew Devcich ("Devcich") and Gobinder Kular Singh ("Singh") (together the "Respondents");

AND WHEREAS on March 22, 2012, Staff of the Commission ("Staff") filed a Statement of Allegations in respect of the same matter;

AND WHEREAS the Commission ordered on April 20, 2012, that the hearing of this matter be adjourned to May 15, 2012;

AND WHEREAS on May 8, 2012, the Commission issued an Amended Notice of Hearing in this matter pursuant to subsections 127(1) and 127(10) of the Act;

AND WHEREAS on May 15, 2012, a hearing was held, at which Staff appeared and made submissions, and no one appeared on behalf of the Respondents;

AND WHEREAS counsel for Devcich and counsel for Singh provided Staff with consent on behalf of Devcich and Singh, respectively, to the oral hearing in this matter continuing as a written hearing;

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

IT IS ORDERED THAT:

1. Pursuant to Rule 11.5 of the Commission's *Rules of Procedure* (2010), 33 O.S.C.B. 8017, the oral hearing in this matter shall continue as a written hearing;
2. Staff of the Commission shall serve upon each Respondent and file with the Commission any evidence or submissions Staff wish the panel to consider on or before May 18, 2012;
3. If necessary, in the discretion of the panel, the panel will reconvene and the hearing of the matter

2.2.2 Nicholas David Reeves – s. 127

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

AND

**IN THE MATTER OF
NICHOLAS DAVID REEVES**

**ORDER
(Section 127)**

WHEREAS on March 22, 2012, the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing pursuant to subsections 127(1) and 127(10) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”) in respect of Nicholas David Reeves (“Reeves”);

AND WHEREAS on March 22, 2012, Staff of the Commission (“Staff”) filed a Statement of Allegations in respect of the same matter;

AND WHEREAS on April 23, 2012, this matter was adjourned to a hearing to take place on May 15, 2012, at 11:00 a.m.;

AND WHEREAS on May 8, 2012, Staff filed a Notice of Motion requesting an adjournment of the May 15, 2012 hearing;

AND WHEREAS on May 15, 2012, a hearing was held, at which the Commission heard submissions from counsel for Staff and no one appeared on behalf of Reeves;

AND WHEREAS Reeves advised Staff that he would not be participating in the hearing on May 15, 2012;

AND WHEREAS the Commission is satisfied that Reeves has been properly served;

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

IT IS ORDERED that the hearing is adjourned to May 30, 2012 at 10:00 a.m.;

IT IS FURTHER ORDERED that Reeves file any written submissions or evidence on which he intends to rely by May 25, 2012.

DATED at Toronto, this 15th day of May, 2012.

“Edward P. Kerwin”

2.2.3 Goldpoint Resources Corporation et al.

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

AND

**IN THE MATTER OF
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**

ORDER

WHEREAS on December 19, 2008, the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing pursuant to sections 37, 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended accompanied by an Amended Statement of Allegations, dated December 18, 2008, filed by Staff with respect to 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 (the “Respondents”);

AND WHEREAS a hearing on the merits in this matter was held on September 21, 22, 23, 24, 25, 28 and 30, October 1 and December 16, 2009;

AND WHEREAS the Commission issued Reasons and Decision on May 5, 2011, in which the parties were directed to contact the Office of the Secretary within 10 days to set a date for a sanctions and costs hearing, failing which a date would be set by the Office of the Secretary;

AND WHEREAS a sanctions and costs hearing was originally scheduled for July 8, 2011;

AND WHEREAS on June 30, 2011, a Notice was issued from the Office of the Secretary which stated that the sanctions and costs hearing was adjourned to a date to be set;

AND WHEREAS a pre-hearing conference was scheduled for May 11, 2012 at 3:00 p.m. for the purpose of setting a date for the sanctions and costs hearing;

AND WHEREAS on May 11, 2012, Staff appeared before the Commission for the pre-hearing conference, and no one appeared on behalf of the Respondents, although properly provided with notice of the pre-hearing conference;

AND WHEREAS on May 11, 2012, Staff undertook to re-serve the Respondents with their written submissions on sanctions and costs and any supplemental written submissions;

IT IS ORDERED that the parties attend before the Commission on August 15 and August 16, 2012 at 10:00 a.m. for a sanctions and costs hearing.

DATED at Toronto this 11th day of May, 2012.

"Mary G. Condon"

2.2.4 L. Jeffrey Pogachar et al. – 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
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.,
2126375 ONTARIO INC., 2108375 ONTARIO INC.,
2126533 ONTARIO INC., 2152042 ONTARIO INC.,
2100228 ONTARIO INC., 2173817 ONTARIO INC.,
AND 1660690 ONTARIO LTD.**

**ORDER
(Sections 127(1) and 127.1)**

WHEREAS on August 7, 2008, the Ontario Securities Commission (the "**Commission**") issued and filed a Notice of Hearing returnable August 21, 2008 to consider the allegations made by Staff of the Commission ("**Staff**") in the Statement of Allegations dated August 7, 2008;

AND WHEREAS on June 30, 2010, the Commission issued an Amended Notice of Hearing returnable September 13, 2010 to consider allegations made by Staff in the Amended Statement of Allegations dated June 23, 2010;

AND WHEREAS on November 10, 2010, the Commission approved a Settlement Agreement between Staff and the Respondent, Alan S. Price;

AND WHEREAS on January 25, 2011, the Commission approved a Settlement Agreement between Staff and New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc., New Life Capital Strategies Inc., 2126375 Ontario Inc., 2108375 Ontario Inc., 2126533 Ontario Inc., 2152042 Ontario Inc., 2100228 Ontario Inc., 2173817 Ontario Inc., and 1660690 Ontario Ltd. (together, the "**Corporate Respondents**" or "**New Life**") by and through KPMG Inc. in its capacity as the Court-appointed Receiver and Manager of the Corporate Respondents (the "**Receiver**"), which provided, in part, that the Corporate Respondents shall disgorge to the Commission the amount of \$22,508,784.50 being the amount of monies raised from investors by the sale of shares of New Life entities contrary to Ontario securities law (the "**Corporate Respondents' Disgorgement Order**");

AND WHEREAS the hearing on the merits with respect to Staff's allegations against the remaining respondents to the proceedings, L. Jeffrey Pogachar and Paola Lombardi (together, the "**Individual Respondents**") commenced on December 5, 2011 and concluded on January 20, 2012 (the "**Merits Hearing**");

AND WHEREAS the Individual Respondents did not attend the Merits Hearing as indicated in their correspondence with Staff and the Commission;

AND WHEREAS the Commission rendered its decision on the merits on January 20, 2012 after the conclusion of the Merits Hearing and issued its Reasons for Decision on the merits on March 28, 2012, finding that the Individual Respondents contravened sections 25(1)(a), 126.1(b), and 129.2 of the Securities Act, R.S.O. 1990, c. S.5, as amended (the “Act”);

AND WHEREAS the Commission directed that a sanctions and costs hearing in respect of the Individual Respondents be scheduled for May 11, 2012 (the “Sanctions Hearing”);

AND WHEREAS Staff and counsel for the Receiver attended the Sanctions Hearing and the Individual Respondents did not attend the Sanctions Hearing;

AND WHEREAS on May 11, 2012, having considered the written and oral submissions of Staff, the Corporate Respondents’ Disgorgement Order, and the Receiver’s oral evidence called by Staff at the Sanctions Hearing indicating, among other things, the Receiver’s consent to the terms of this order, the Commission is of the opinion that it is in the public interest to make the following order with reasons to be issued in due course;

IT IS ORDERED THAT:

1. Trading in any securities by the Individual Respondents shall cease permanently pursuant to clause 2 of section 127(1) of the Act;
2. The acquisition of any securities by the Individual Respondents is prohibited permanently pursuant to clause 2.1 of section 127(1) of the Act;
3. Any exemptions contained in Ontario securities law shall not apply to the Individual Respondents permanently pursuant to clause 3 of section 127(1) of the Act;
4. The Individual Respondents are reprimanded pursuant to clause 6 of section 127(1) of the Act;
5. The Individual Respondents shall resign any position that he or she holds as a director or officer of any issuer or registrant pursuant to clauses 7 and 8.1 of section 127(1) of the Act;
6. The Individual Respondents are prohibited permanently from becoming or acting as a director or officer of any issuer or registrant pursuant to clauses 8 and 8.2 of section 127(1) of the Act;
7. Having determined that the Individual Respondents have failed to comply with the securities laws of Ontario, each of the Individual Respondents shall pay an administrative penalty of \$750,000 each pursuant to clause 9 of section 127(1) of the Act;

8. Having determined that the Individual Respondents have failed to comply with the securities laws of Ontario, the Individual Respondents shall disgorge to the Commission the sum of \$21,908,607 on a joint and several basis pursuant to clause 10 of section 127(1) of the Act, which sum shall be paid jointly and severally with, and not in addition to, the disgorgement funds that are the subject of the Corporate Respondents’ Disgorgement Order;
9. All amounts received by the Commission in respect of the administrative penalty ordered in paragraph 7 above and the disgorgement amounts ordered in paragraph 8 above are to be applied to or for the benefit of third parties pursuant to section 3.4(2)(b) of the Act as the Commission in its absolute discretion shall decide; and
10. Having determined that the Individual Respondents have failed to comply with the securities laws of Ontario, the Individual Respondents shall pay the costs of the Commission’s investigation and hearing in the amount of \$257,756.32 on a joint and several basis pursuant to section 127.1 of the Act.

DATED at Toronto this 17th day of May, 2012.

“Edward P. Kerwin”

“Paulette L. Kennedy”

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
Royal Coal Corp	03 May 12	15 May 12	15 May 12	
Blutip Power Technologies Ltd.	03 May 12	15 May 12	15 May 12	
Osta Biotechnologies Inc.	04 May 12	16 May 12	16 May 12	
Bluepoint Data	04 May 12	16 May 12	16 May 12	
Newlook Industries Corp.	04 May 12	16 May 12	16 May 12	
GLG Life Tech Corporation	04 May 12	16 May 12	16 May 12	
Argosy Minerals Limited	04 May 12	16 May 12	16 May 12	
Itok Capital Corp.	04 May 12	16 May 12		18 May 12
Medx Health Corp.	07 May 12	18 May 12		08 May 12
Forest Gate Energy Inc.	07 May 12	18 May 12	18 May 12	
Landmark Global Financial Corporation	07 May 12	18 May 12	18 May 12	
CRC Royalty Corporation	07 May 12	18 May 12	18 May 12	
Pacific Lottery Corporation	07 May 12	18 May 12	18 May 12	
Dianor Resources Inc.	07 May 12	18 May 12	18 May 12	
Process Capital Corp.	07 May 12	18 May 12	18 May 12	
FL Master Sherman, Ltd.	07 May 12	18 May 12	18 May 12	
First Leaside Properties Fund	07 May 12	18 May 12	18 May 12	
Plexmar Resources Inc.	07 May 12	18 May 12	18 May 12	
Interactive Capital Partners Corporation	08 May 12	18 May 12	18 May 12	
Win-Eldrich Mines Limited	09 May 12	22 May 12	22 May 12	
Coltstar Ventures Inc.	18 May 12	30 May 12		
IBI Corporation	22 May 12	04 Jun 12		

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
Knightscove Media Corp.	04 May 12	16 May 12	18 May 22		

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
Knightscope Media Corp.	04 May 12	16 May 12	18 May 22		

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
04/16/2012	1	Actuant Corporation - Note	2,004,800.00	1.00
04/20/2012	35	Alston Energy Inc. - Units	1,984,899.55	N/A
04/24/2012	82	Angkor Gold Corp. - Units	2,842,640.55	6,316,979.00
11/01/2011	1	Atlas Institutional Fund Ltd. - Units	16,335,700.00	16,000.00
03/28/2012	5	Automated Benefits Corp. - Common Shares	61,863.95	195,374.00
04/16/2012	32	Avison Young Apartment Co-Investment Fund, L.P. - Limited Partnership Interest	2,850,000.00	2,850,000.00
07/29/2011	1	Baillie Gifford Global Alpha Fund - Units	3,650,000.00	289,917,235.00
04/25/2012	14	Beringer Capital Fund II L.P. - Limited Partnership Interest	14,250,000.00	14.00
04/19/2012	1	BNP Paribas Arbitrage Issuance B.V. - Certificates	13,039.19	13,000.00
03/15/2011	1	BNP Paribas LLP - Note	1,970,915.00	1.00
04/27/2012	41	Braeval Mining Corporation - Common Shares	6,069,471.60	6,069,471.60
03/30/2012 to 04/17/2012	7	Cemcorp Cement Inc. - Units	216,450.00	4,810.00
03/20/2012 to 03/22/2012	15	Clearview Resources Ltd - Common Shares	2,209,500.00	221,500.00
04/19/2012	10	Clearview Resources Ltd. - Common Shares	1,362,500.00	136,250.00
04/30/2012	9	Cline Mining Corporation - Bonds	25,000,000.00	9.00
04/30/2012	9	Cline Mining Corporation - Warrants	3,112,500.00	1,250,000.00
03/28/2012	3	CMOT VFN Trust - Debt	340,000,000.00	3.00
04/25/2012	1	Cogitore Resources Inc. - Flow-Through Shares	999,999.84	5,882,352.00
05/11/2012	44	Cogitore Resources Inc. - Flow-Through Shares	1,201,470.00	7,067,470.00
04/18/2012 to 04/20/2012	3	Colwood City Centre Limited Partnership - Notes	300,000.00	300,000.00
03/19/2012 to 03/22/2012	9	Colwood City Centre Limited Partnership - Notes	356,000.00	356,000.00
04/25/2012 to 04/27/2012	8	Colwood City Centre Limited Partnership - Notes	328,000.00	328,000.00
04/20/2012	10	Copper Creek Gold Corp - Units	193,000.00	3,860,000.00

Notice of Exempt Financings

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price (\$)	No. of Securities Distributed
04/10/2012	2	Coventry Resources Limited - Common Shares	868,949.28	25,920,863.00
05/31/2011 to 12/31/2011	18	Creststreet Opportunities Fund Inc. - Units	1,663,902.44	N/A
05/03/2012	3	Cymat Technologies Ltd. - Common Shares	150,000.00	3,000,000.00
04/17/2012	11	Defiance Silver Corp. - Common Shares	572,250.00	1,144,500.00
03/30/2012 to 04/02/2012	48	Earth Video Camera Inc. - Common Shares	1,239,384.00	1,106,592.80
02/08/2011	1	Eksportfinans ASA - Note	6,835,140.00	1.00
03/30/2012	42	El Nino Ventures Inc. - Flow-Through Units	921,190.10	6,734,026.00
04/19/2012 to 04/24/2012	27	ePals Corporation - Common Shares	9,999,900.00	24,390,000.00
11/01/2010 to 09/01/2011	1	Excel Capital Income Fund - Units	2,341,656.41	468,914.77
04/12/2012	1	FGI Operating Company, LLC and FGI Finance Inc. - Notes	1,492,500.00	15,000.00
04/17/2012	5	Finavera Wind Energy Inc. - Common Shares	179,459.50	535,700.00
04/24/2012	5	Fusebill Inc. - Common Shares	950,000.00	9,782,339.00
04/24/2012	1	Garrison Opportunity Fund III B L.P. - Limited Partnership Interest	140,000,000.00	140,000,000.00
04/12/2012	16	GRC (Waverly Estates) GP Inc. - Limited Partnership Units	2,100,000.00	42.00
04/19/2012	17	Groupe Radiologix Inc. - Common Shares	836,640.00	83.00
01/31/2011 to 12/31/2011	39	Highwater Diversified Opportunities Fund L.P. - Units	4,055,859.00	204,459.34
01/31/2011 to 12/31/2011	123	Highwater Diversified Trust Fund - Trust Units	1,869,441.00	165,677.89
04/20/2012	1	IGW Diversified Redevelopment Fund Limited Partnership - Units	50,000.00	50,000.00
04/09/2012 to 04/13/2012	11	IGW Real Estate Investment Trust - Units	424,852.78	N/A
03/26/2012 to 03/31/2012	43	IGW Real Estate Investment Trust - Units	1,553,071.84	N/A
04/16/2012 to 04/20/2012	21	IGW Real Estate Investment Trust - Units	943,694.12	931,653.00
04/03/2012	21	Inception Exploration Ltd. - Common Shares	4,712,248.00	2,146,435.00
04/13/2012	23	Indico Resources Ltd. - Common Shares	938,250.00	3,753,000.00
06/01/2011	1	Ionic Capital International Ltd. - Common Shares	242,850,000.00	250,000.00
03/01/2012	71	iSign Media Solutions Inc. - Units	2,194,540.00	7,135,131.00
03/28/2012	18	Ivanplats Limited - Bonds	49,920,000.00	50,000.00

Notice of Exempt Financings

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price (\$)	No. of Securities Distributed
04/24/2012	11	Jet Gold Corp. - Units	422,200.00	2,814,664.00
05/01/2012	1	Kassirer Market Neutral Limited Partnership - Limited Partnership Units	40,000,000.00	2,211.96
04/20/2012	1	Kincora Copper Limited - Common Shares	6,000,000.00	20,000,000.00
01/01/2012	2	KingSett Canadian Real Estate Income Fund LP - Units	2,000,000.00	1,649.54
04/18/2012	1	Klass Capital Co-Invest Fund I, L.P. - Limited Partnership Interest	15,000,000.00	N/A
04/18/2012	3	Klass Capital Fund I, L.P. - Limited Partnership Interest	14,225,000.00	N/A
04/24/2012	3	Landry's, Inc. - Notes	4,207,500.00	3.00
03/28/2012	30	Legend Power Systems Inc. - Units	1,263,373.12	15,792,164.00
04/17/2012	2	MDCP VI-C Global Investments LP - Limited Partnership Interest	0.00	2.00
04/17/2012	1	MdCP VI-A Global Investments LP - Limited Partnership Interest	0.00	1.00
04/16/2012 to 04/19/2012	4	Member-Partners Solar Energy Capital Inc. - Bonds	157,200.00	1,572.00
04/19/2012 to 04/20/2012	2	Member-Partners Solar Energy Limited Partnership - Units	45,000.00	45,000.00
04/24/2012 to 04/27/2012	10	Member-Partners Solar Energy Limited Partnership - Units	504,000.00	504,000.00
04/13/2012	1	Merrill Lynch International & Co. C.V. - Warrants	1,351,243.38	220.00
04/27/2012	1	Merrill Lynch International & Co. C.V. - Warrants	619,814.06	N/A
04/18/2012	2	Micron Technology Inc. - Notes	9,902,000.00	10,000,000.00
03/29/2012	44	Miraculins Inc. - Units	2,452,292.01	22,293,559.00
05/03/2012	3	Molson Coors Brewing Company - Notes	2,952,801.64	3.00
12/23/2011	75	Mongolia growth Group Ltd. - Common Shares	14,999,501.10	3,846,154.00
03/30/2012	27	NADG U.S. Core Plus Acquisition Fund (Canadian) L.P. - Limited Partnership Units	19,282,630.00	77.20
03/23/2012	7	NeurAxon Inc. - Debentures	1,860,057.43	N/A
03/19/2012	14	New Destiny Mining Corp. - Common Share Purchase Warrant	432,450.00	2,883,000.00
04/23/2012	21	New Dimension Resources Ltd. - Common Shares	484,500.00	4,485,000.00
02/24/2012	10	New Moon Minerals Corp. - Units	121,500.00	1,215,000.00
04/03/2012	260	New Star Energy Ltd. - Receipts	118,160,000.00	118,157,000.00
03/31/2012	5	Newstart Financial Inc. - Notes	280,000.00	5.00
02/24/2012	12	Nuinsco Resources Limited - Units	955,010.00	6,821,500.00

Notice of Exempt Financings

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price (\$)	No. of Securities Distributed
03/16/2012 to 03/29/2012	86	OmniArch Capital Corporation - Bonds	1,546,795.00	N/A
04/20/2012	1	Orsa Ventures Corp. - Common Shares	495,000.00	1,500,000.00
04/19/2012	87	Orsa Ventures Corp. - Common Shares	1,751,800.05	11,678,667.00
01/23/2012	48	Pacific Wildcat Resources Corp. - Units	5,999,999.95	17,142,857.00
03/01/2012	7	Pangea Energy Corp. - Common Shares	110,000.00	1,100,000.00
04/05/2012	16	Pangolin Diamonds Corp. - Common Shares	250,000.00	2,500,000.00
04/26/2012	74	Passport Energy Ltd. - Common Shares	2,604,243.17	16,466,997.00
04/10/2012	17	PDX Entertainment Company - Units	9,197,556.00	916,000.00
04/19/2012	77	Petroamerica Oil Corp. - Units	35,000,000.00	175,000,000.00
04/20/2012	4	Prestige Hospitality HW Limited Partnership - Units	535,000.00	535.00
04/18/2012	10	Prestige Hospitality HW Registered Investments Inc. - Units	260,000.00	2,600.00
05/16/2012	3	Probe Mines Limited - Common Shares	61,125.00	37,500.00
04/25/2012	6	Rainy River Resources Ltd. - Common Shares	642,858.00	114,954.00
04/27/2012	5	Rainy River Resources Ltd. - Common Shares	309,000.00	60,000.00
04/30/2012 to 05/10/2012	7	Redstone Capital Corporation - Bonds	168,000.00	N/A
04/18/2012 to 04/20/2012	14	RepliCel Life Sciences Inc. - Units	1,385,920.36	932,700.00
04/11/2012	1	Retail Properties of America, Inc. - Common Shares	80,300.00	10,000.00
03/27/2012	34	Revolver Resources Inc - Units	453,999.90	3,026,666.00
04/25/2012	3	Rosterware Inc. - Common Shares	205,000.00	N/A
04/16/2012	1	Rubicon Minerals Corporation - Common Shares	300,000.00	78,813.00
04/19/2012	131	Russel Metals Inc. - Notes	252,650,000.00	131.00
04/20/2012	2	Sitel, LLC and Sitel Finance Corp. - Notes	7,135,920.00	2.00
04/01/2012	39	Skyline Commercial Real Estate Investment Trust - Units	4,948,380.00	494,838,000.00
04/20/2012	2	Slate U.S. Opportunity (No. 1) Realty Trust - Trust Units	4,955,500.00	500,000.00
04/26/2012	1	Solarvest BioEnergy Inc. - Common Shares	100,000.00	500,000.00
03/30/2012	13	Spire Real Estate Limited Partnership - Units	11,801,839.93	11,801,839.93
04/04/2012	9	Surface Medical Inc. - Common Shares	295,166.95	454,100.00
04/16/2012	12	Talmora Diamond Inc. - Flow-Through Units	150,000.00	1,800,000.00
05/08/2012	35	Terrace Energy Corp. - Common Shares	10,000,000.00	10,000,000.00

Notice of Exempt Financings

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price (\$)	No. of Securities Distributed
04/13/2012 to 04/23/2012	9	TerraX Minerals Inc. - Common Shares	39,250.00	250,000.00
03/21/2011	1	The Goldman Sachs Group, Inc. - Note	48,870.00	1.00
08/17/2011	1	The Goldman Sachs Group, Inc. - Note	73,650.00	1.00
04/23/2012 to 05/02/2012	20	The Newport Balanced Fund - Trust Units	265,716.16	N/A
04/23/2012 to 05/02/2012	21	The Newport Cdn Eqty Fund - Trust Units	602,120.25	N/A
04/23/2012 to 05/02/2012	10	The Newport Fixed Income Fund - Trust Units	759,788.51	N/A
04/23/2012 to 05/02/2012	23	The Newport Gbl Equity Fund - Trust Units	547,178.00	N/A
04/23/2012 to 05/02/2012	2	The Newport Real Estate LPU - Trust Units	712,099.00	N/A
04/23/2012 to 05/02/2012	5	The Newport Strategic Yield LP - Trust Units	309,361.24	N/A
04/23/2012 to 05/02/2012	26	The Newport Yield Fund - Trust Units	10,026,442.01	N/A
03/21/2012	1	TheFile Inc. - Common Shares	500,000.00	500,000.00
04/23/2012	1	Tiangong International Company Limited - Common Shares	382,080.00	1,600,000.00
04/09/2012 to 04/13/2012	62	UBS AG, Jersey Branch - Certificates	20,208,635.18	N/A
04/17/2012 to 04/19/2012	3	UBS Ag, Zurich - Certificates	561,114.90	3.00
04/04/2012	17	Vanstar Mining Resources Inc - Units	216,300.00	2,060,000.00
05/01/2012 to 05/09/2012	59	VentriPoint Diagnostics Ltd. - Units	3,000,000.00	18,750,000.00
04/24/2012	5	Vertichem Corporation - Common Shares	780,386.04	789,543.00
04/27/2012	32	Victory Resources Corporation - Units	1,330,723.85	3,802,068.00
04/30/2012	3	VSS Communications Parallel Partners IV, L.P. - Limited Partnership Interest	363,790.00	365,031.00
04/05/2012	44	Walton GA Crossroads Investment Corporation - Common Shares	769,960.00	76,996.00
03/23/2012	76	Walton GA Crossroads Investment Corporation - Common Shares	1,403,120.00	140,312.00
04/20/2012	28	Walton MD Gardner Woods L.P. - Units	1,674,347.50	168,700.00
04/05/2012	41	Walton NC Westlake Investment Corporation - Common Shares	611,990.00	61,199.00
04/13/2012	4	Walton NC Westlake LP - Limited Partnership Units	904,539.89	90,013.00

Notice of Exempt Financings

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price (\$)	No. of Securities Distributed
03/23/2012	5	Walton NC Westlake LP - Limited Partnership Units	427,956.72	43,080.00
05/04/2012	25	Walton Westphalia Development Corporation - Units	1,197,000.00	119,700.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:

ABCOURT MINES INC.

Principal Regulator - Quebec

Type and Date:

Preliminary Short Form Prospectus dated May 17, 2012

NP 11-202 Receipt dated May 17, 2012

Offering Price and Description:

Minimum Offering: \$1,500,000.00 or 13,636,363 Units;

Maximum Offering: \$3,000,000.00 or 27,272,727 Units

Price: \$0.11 per Unit

Underwriter(s) or Distributor(s):

Industrial Alliance Securities Inc.

Promoter(s):

-

Project #1909463

Issuer Name:

AlphaNorth Rollover Fund

Principal Regulator - Ontario

Type and Date:

Preliminary Simplified Prospectus dated May 17, 2012

NP 11-202 Receipt dated May 18, 2012

Offering Price and Description:

A, D and F Shares

Underwriter(s) or Distributor(s):

-

Promoter(s):

-

Project #1909375

Issuer Name:

Aurora Oil & Gas Limited

Principal Regulator - Ontario

Type and Date:

Amended and Restated Preliminary Short Form Prospectus dated May 16, 2012

NP 11-202 Receipt dated May 16, 2012

Offering Price and Description:

\$63,900,000.00 - 18,000,000 Ordinary Shares

Price: \$3.55 per Ordinary Share

Underwriter(s) or Distributor(s):

TD Securities Inc.

GMP Securities L.P.

Macquarie Capital Markets Canada Ltd.

Promoter(s):

-

Project #1906537

Issuer Name:

Cominar Real Estate Investment Trust

Principal Regulator - Quebec

Type and Date:

Preliminary Short Form Prospectus dated May 16, 2012

NP 11-202 Receipt dated May 16, 2012

Offering Price and Description:

\$150,021,000.00 - 6,330,000 Units Price: \$23.70 per Unit

Underwriter(s) or Distributor(s):

NATIONAL BANK FINANCIAL INC.

BMO NESBITT BURNS INC.

DESJARDINS SECURITIES INC.

CIBC WORLD MARKETS INC.

SCOTIA CAPITAL INC.

RBC DOMINION SECURITIES INC.

TD SECURITIES INC.

CANACCORD GENUITY CORP.

DUNDEE SECURITIES LTD.

MACQUARIE CAPITAL MARKETS CANADA LTD.

Promoter(s):

-

Project #1908807

Issuer Name:

Enbridge Income Fund Holdings Inc.

Principal Regulator - Alberta

Type and Date:

Preliminary Base Shelf Prospectus dated May 15, 2012

NP 11-202 Receipt dated May 16, 2012

Offering Price and Description:

\$500,000,000.00

COMMON SHARES

Underwriter(s) or Distributor(s):

-

Promoter(s):

-

Project #1908378

Issuer Name:

Genworth MI Canada Inc.
Principal Regulator - Ontario

Type and Date:

Preliminary Base Shelf Prospectus dated May 17, 2012
NP 11-202 Receipt dated May 17, 2012

Offering Price and Description:

\$1,500,000,000.00 Debt Securities
Preferred Shares
Common Shares
Subscription Receipts
Warrants
Units

Underwriter(s) or Distributor(s):

-

Promoter(s):

-

Project #1909443

Issuer Name:

Intergeo MMC Ltd
Principal Regulator - Ontario

Type and Date:

Preliminary Long Form Prospectus dated May 14, 2012
NP 11-202 Receipt dated May 16, 2012

Offering Price and Description:

\$ * - * Common Share
Price \$ * per Common Share

Underwriter(s) or Distributor(s):

MORGAN STANLEY CANADA LIMITED
BMO NESBITT BURNS INC.

Promoter(s):

DASELINA INVESTMENTS LTD.
KIRKLAND INTERTRADE CORP.

Project #1908033

Issuer Name:

Magnum Energy Inc.
Principal Regulator - Alberta

Type and Date:

Amended and Restated Preliminary Short Form Prospectus dated April 18, 2012
NP 11-202 Receipt dated May 18, 2012

Offering Price and Description:

\$1,050,000.00 Minimum Offering and \$3,300,000.00
Maximum Offering Comprised of:
A Minimum of \$750,000.00 and a Maximum of
\$3,000,000.00 11% Convertible Secured Debentures due
May *, 2015; Price: \$1,000.00 per Debenture and
\$300,000.00 or 3,750,000 Common Shares
Price: \$0.08 per Offered Common Share

Underwriter(s) or Distributor(s):

Macquarie Private Wealth Inc.

Promoter(s):

-

Project #1890051

Issuer Name:

North Growth Canadian Equity Fund
Principal Regulator - British Columbia

Type and Date:

Preliminary Simplified Prospectus dated May 15, 2012
NP 11-202 Receipt dated May 16, 2012

Offering Price and Description:

Series D and Series F Units

Underwriter(s) or Distributor(s):

-

Promoter(s):

North Growth Management Ltd.
Project #1908801

Issuer Name:

Phoenix Oilfield Hauling Inc.
Principal Regulator - Alberta

Type and Date:

Preliminary Short Form Prospectus dated May 17, 2012
NP 11-202 Receipt dated May 17, 2012

Offering Price and Description:

\$8,008,000.00 - 2,860,000 Common Shares Price: \$2.80
per Common Share

Underwriter(s) or Distributor(s):

AltaCorp Capital Inc.
Clarus Securities Inc.
GMP Securities L.P.

Promoter(s):

-

Project #1909350

Issuer Name:

Ridgeline Energy Services Inc.
Principal Regulator - Alberta

Type and Date:

Preliminary Short Form Prospectus dated May 18, 2012
NP 11-202 Receipt dated May 18, 2012

Offering Price and Description:

\$10,000,200.00 - 14,286,000 Common Shares; Price:
\$0.70 per Common Share

Underwriter(s) or Distributor(s):

Mackie Research Capital Corporation
Industrial Alliance Securities Inc.

Promoter(s):

Tony Ker
Tyler Heathcote
Project #1909814

Issuer Name:

Suncor Energy Inc.
Principal Regulator - Alberta

Type and Date:

Preliminary Base Shelf Prospectus dated May 15, 2012
NP 11-202 Receipt dated May 15, 2012

Offering Price and Description:

\$2,000,000,000.00 - Series 5 Medium Term Notes
(Unsecured)

Underwriter(s) or Distributor(s):

RBC DOMINION SECURITIES INC.
BMO NESBITT BURNS INC.
CIBC WORLD MARKETS INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
DESJARDINS SECURITIES INC.
ALTACORP CAPITAL INC.

Promoter(s):

-

Project #1907934

Issuer Name:

Trez Capital Yield Trust
Principal Regulator - British Columbia

Type and Date:

Preliminary Long Form Prospectus dated May 17, 2012
NP 11-202 Receipt dated May 18, 2012

Offering Price and Description:

Series A, F and I Trust Units
Price: \$10 per Unit
Minimum Purchase: 200 Units

Underwriter(s) or Distributor(s):

-

Promoter(s):

Trez Capital Limited Partnership
Project #1909552

Issuer Name:

Valener Inc.
Principal Regulator - Quebec

Type and Date:

Preliminary Short Form Prospectus dated May 18, 2012
NP 11-202 Receipt dated May 18, 2012

Offering Price and Description:

\$100,000,000.00 - 4,000,000 Cumulative Rate Reset
Preferred Shares, Series A
Price: \$25.00 per Series A Share to yield initially 4.35% per annum

Underwriter(s) or Distributor(s):

BMO NESBITT BURNS INC.
TD SECURITIES INC.
DESJARDINS SECURITIES INC.
NATIONAL BANK FINANCIAL INC.
CIBC WORLD MARKETS INC.
RBC DOMINION SECURITIES INC.
SCOTIA CAPITAL INC.
LAURENTIAN BANK SECURITIES INC.

Promoter(s):

-

Project #1909894

Issuer Name:

Wolfden Resources Corporation
Principal Regulator - Ontario

Type and Date:

Amended and Restated Preliminary Long Form Prospectus
dated April 14, 2012
NP 11-202 Receipt dated May 15, 2012

Offering Price and Description:

OFFERING: * UNITS AT A PRICE OF \$ * PER UNIT
* FLOW-THROUGH COMMON SHARES AT A PRICE OF
\$* PER SHARE

Underwriter(s) or Distributor(s):

CANACCORD GENUITY CORP.
RBC DOMINION SECURITIES INC.
JONES, GABLE & COMPANY LIMITED

Promoter(s):

Ewan Downie

Project #1887523

Issuer Name:

49 North 2012 Resource Flow-Through Limited Partnership
Principal Regulator - Saskatchewan

Type and Date:

Final Long Form Prospectus dated May 16, 2012
NP 11-202 Receipt dated May 17, 2012

Offering Price and Description:

MAXIMUM - \$5,000,000.00 - 500,000 Limited Partnership
Units @ \$10/unit MINIMUM - \$1,000,000.00 - 100,000
Limited Partnership Units @ \$10/unit

Underwriter(s) or Distributor(s):

MGI Securities Inc.

Promoter(s):

49 North 2012 Resource Fund Inc.
Tom MacNeill

Project #1871616

Issuer Name:

Counsel U.S. Value
Principal Regulator - Ontario

Type and Date:

Amendment No.1 dated May 10, 2012 to the Simplified
Prospectus and Annual Information Form
dated October 21, 2011

NP 11-202 Receipt dated May 15, 2012

Offering Price and Description:

-

Underwriter(s) or Distributor(s):

-

Promoter(s):

COUNSEL PORTFOLIO SERVICES INC.

Project #1801658

Issuer Name:

Raging River Exploration Inc.
Principal Regulator - Alberta

Type and Date:

Final Short Form Prospectus dated May 16, 2012

NP 11-202 Receipt dated May 16, 2012

Offering Price and Description:

\$35,000,000.00 - 17,500,000 Common Shares issuable on
exercise of 17,500,000 outstanding Special: \$2.00 per
Special Warrant

Underwriter(s) or Distributor(s):

Peters & Co. Limited
FirstEnergy Capital Corp.
Desjardins Securities Inc.
Dundee Securities Ltd.
Paradigm Capital Inc.
Cormark Securities Inc.
National Bank Financial Inc.
CIBC World Markets Inc.
GMP Securities L.P.
Scotia Capital Inc.

Promoter(s):

-

Project #1903304

Issuer Name:

Royal Sapphire Corp.
Principal Regulator - British Columbia

Type and Date:

Final Long Form Prospectus dated May 11, 2012

NP 11-202 Receipt dated May 15, 2012

Offering Price and Description:

Maximum - \$1,000,000.00; Minimum - \$800,000.00.
Maximum of 5,000,000 Common Shares and a Minimum of
4,000,000 Common Shares
Price: \$0.20 per Common Share

Underwriter(s) or Distributor(s):

Macquarie Private Wealth Inc.

Promoter(s):

Balbir Johal

Project #1879204

Issuer Name:

Sprott Canadian Equity Fund (Series A, Series F and
Series I Units)
Sprott Diversified Yield Fund (Series A, Series F, Series I,
Series T and Series FT Units)
Sprott Gold and Precious Minerals Fund (Series A, Series
F and Series I Units)
Sprott Energy Fund (Series A, Series F and Series I Units)
Sprott Short-Term Bond Fund (Series A, Series F and
Series I Units)
Sprott Small Cap Equity Fund (Series A, Series F and
Series I Units)
Sprott All Cap Fund (Series A, Series F and Series I Units)
Sprott Tactical Balanced Fund (Series A, Series F, Series I,
Series T, Series FT and Series D
Units)

Principal Regulator - Ontario

Type and Date:

Final Simplified Prospectus dated May 15, 2012

NP 11-202 Receipt dated May 18, 2012

Offering Price and Description:

Series A, Series F, Series I, Series T, Series FT and Series
D Units

Underwriter(s) or Distributor(s):

-

Promoter(s):

SPROTT ASSET MANAGEMENT LP

Project #1889054

Issuer Name:

Tradex Bond Fund
Tradex Equity Fund Limited
Tradex Global Equity Fund
Principal Regulator - Ontario

Type and Date:

Final Simplified Prospectus dated May 18, 2012

NP 11-202 Receipt dated May 18, 2012

Offering Price and Description:

Mutual fund units at net asset value

Underwriter(s) or Distributor(s):

Tradex Management Inc.

Promoter(s):

-

Project #1876699

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Consent to Suspension (Pending Surrender)	Icon Syndications Inc.	Exempt Market Dealer	May 15, 2012
New Registration	Morneau Shepell Asset & Risk Management Ltd.	Exempt Market Dealer Portfolio Manager Investment Fund Manager	May 18, 2012
New Registration	Ontario Wealth Management Corporation	Exempt Market Dealer	May 18, 2012

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Chapter 13

SROs, Marketplaces and Clearing Agencies

13.3 Clearing Agencies

13.3.1 Notice of Commission Approval – Material Amendments to CDS Procedures – GIC Funds-Only Trade Service in CDSX

CDS CLEARING AND DEPOSITORY SERVICES INC.

MATERIAL AMENDMENTS TO CDS PROCEDURES

GIC FUNDS-ONLY TRADE SERVICE IN CDSX

NOTICE OF COMMISSION APPROVAL

In accordance with the Rule Protocol between the Ontario Securities Commission (Commission) and CDS Clearing and Depository Services Inc. (CDS), the Commission approved on May 18, 2012, amendments filed by CDS to its procedures to introduce a new service to automate the process for the exchange of funds between Guaranteed Investment Certificate (GIC) issuers and purchasers. A copy and description of the rule amendments were published for comment on March 23, 2012 at (2012) 35 OSCB 2984. No comments were received.

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