

The Ontario Securities Commission

# OSC Bulletin

January 17, 2013

Volume 36, Issue 3

(2013), 36 OSCB

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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Published under the authority of the Commission by:

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# Chapter 1

## Notices / News Releases

<b>1.1 Notices</b>	Judith N. Robertson — JNR
<b>1.1.1 Current Proceedings Before The Ontario Securities Commission</b>	Charles Wesley Moore (Wes) Scott — CWMS
<b>SCHEDULED OSC HEARINGS</b>	
<b>January 17, 2013</b>	January 21-28, <b>Jowdat Waheed and Bruce Walter</b>
<b>CURRENT PROCEEDINGS</b>	January 30-February 11 & s. 127
<b>BEFORE</b>	February 13-22, 2013 J. Lynch in attendance for Staff
<b>ONTARIO SECURITIES COMMISSION</b>	10:00 a.m. Panel: CP/SBK/PLK
-----	January 21-28 & <b>Moncasa Capital Corporation and John Frederick Collins</b>
<b>Temporary Change of Location of Ontario Securities Commission Proceedings</b>	January 30-February 1, 2013 s. 127
All hearings scheduled to be heard between November 22, 2012 and March 15, 2013 will take place at the following location:	10:00 a.m. T. Center in attendance for Staff
ASAP Reporting Services Inc. Bay Adelaide Centre 333 Bay Street Suite 900 Toronto, Ontario M5H 2T4	Panel: EPK
Telephone: 416-597-0681 Telecopier: 416-593-8348	January 22, 2013 <b>Roger Carl Schoer</b>
<b>CDS TDX 76</b>	10:00 a.m. s. 21.7
Late Mail depository on the 19 <sup>th</sup> Floor until 6:00 p.m.	C. Johnson in attendance for Staff
-----	Panel: JEAT
<b>THE COMMISSIONERS</b>	January 23-25 & <b>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</b>
Howard I. Wetston, Chair — HIW	January 30-31, 2013 s. 127
James E. A. Turner, Vice Chair — JEAT	C. Watson in attendance for Staff
Lawrence E. Ritchie, Vice Chair — LER	Panel: TBA
Mary G. Condon, Vice Chair — MGC	January 28, 2013 <b>AMTE Services Inc., Osler Energy Corporation, Ranjit Grewal, Phillip Colbert and Edward Ozga</b>
Sinan O. Akdeniz — SOA	10:00 a.m. s. 127
James D. Carnwath — JDC	C. Rossi in attendance for Staff
Margot C. Howard — MCH	Panel: JEAT
Sarah B. Kavanagh — SBK	
Kevin J. Kelly — KJK	
Paulette L. Kennedy — PLK	
Edward P. Kerwin — EPK	
Vern Krishna — VK	
Christopher Portner — CP	

January 28, 2013 12:00 p.m.	<b>Issam El-Bouji, Global Resp Corporation, Global Growth Assets Inc., Global Educational Trust Foundation and Margaret Singh</b>  s. 127 and 127.1  M. Vaillancourt in attendance for Staff  Panel: JEAT	February 14-15 & February 20, 2013 10:00 a.m.	<b>Northern Securities Inc., Victor Philip Alboini, Douglas Michael Chornoboy and Frederick Earl Vance</b>  s. 21.7 and 8  Y. Chisholm in attendance for Staff  Panel: JEAT/JNR
January 30, 2013 10:00 a.m.	<b>Primaris Retail Real Estate Investment Trust and KS Acquisition II LP</b>  s. 127  K. Daniels in attendance for Staff  Panel: MGC/JNR	February 27, 2013 10:00 a.m.	<b>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</b>  s. 127  C. Watson in attendance for Staff  Panel: EPK
February 1, 2013 10:00 a.m.	<b>Ground Wealth Inc., Armadillo Energy Inc., Paul Schuett, Doug DeBoer, James Linde, Susan Lawson, Michelle Dunk, Adrion Smith, Bianca Soto and Terry Reichert</b>  s. 127  S. Schumacher in attendance for Staff  Panel: MGC	February 28, 2013 10:00 a.m.	<b>Children's Education Funds Inc.</b>  s. 127  D. Ferris in attendance for Staff  Panel: JEAT
February 4-11 & February 13, 2013 10:00 a.m.	<b>Alexander Christ Doulis (aka Alexander Christos Doulis, aka Alexandros Christodoulidis) and Liberty Consulting Ltd.</b>  s. 127  J. Feasby in attendance for Staff  Panel: VK	March 1, 2013 10:00 a.m.	<b>Rezwealth Financial Services Inc., Pamela Ramoutar, Justin Ramoutar, Tiffin Financial Corporation, Daniel Tiffin, 2150129 Ontario Inc., Sylvan Blackett, 1778445 Ontario Inc. and Willoughby Smith</b>  s.127(1) & (5)  A. Heydon/Y. Chisholm in attendance for Staff  Panel : EPK
February 5, 2013 9:00 a.m.	<b>Fawad UI Haq Khan and Khan Trading Associates Inc. carrying on business as Money Plus</b>  s. 60 and 60.1 of the <i>Commodity Futures Act</i>  T. Center in attendance for Staff  Panel: MGC	March 5, 2013 10:00 a.m.	<b>New Hudson Television LLC &amp; Dmitry James Salganov</b>  s. 127  C. Watson in attendance for Staff  Panel: MGC
February 11, February 13-15, February 19-25 & February 27-March 6, 2013 10:00 a.m.	<b>David Charles Phillips and John Russell Wilson</b>  s. 127  Y. Chisholm in attendance for Staff  Panel: TBA		

March 6, 2013 10:00 a.m.	<b>Blackwood &amp; Rose Inc., Steven Zetchus and Justin Kreller (also known as Justin Kay)</b>  s. 127  C. Rossi in attendance for Staff  Panel: JEAT	March 25, March 27-28, April 8, April 10-12, April 17, April 19, May 13-17, May 22 & June 24-28, 2013 10:00 a.m.	<b>Bernard Boily</b>  s.127 and 127.1  M. Vaillancourt/U. Sheikh in attendance for Staff  Panel: TBA
March 13, 2013 10:00 a.m.	<b>New Found Freedom Financial, Ron Deonarine Singh, Wayne Gerard Martinez, Pauline Levy, David Whidden, Paul Swaby and Zompas Consulting</b>  s. 127  A. Heydon/S. Horgan in attendance for Staff  Panel: JDC	April 2, 2013 10:00 a.m.	<b>Vincent Ciccone and Cabo Catoche Corp. (a.k.a. Medra Corp. and Medra Corporation)</b>  s. 127  M. Vaillancourt in attendance for Staff  Panel: VK
March 18-25, March 27-28, April 1-5 & April 24-25, 2013 10:00 a.m.	<b>Peter Sbaraglia</b>  s. 127  J. Lynch in attendance for Staff  Panel: CP	April 8, April 10-16, April 22, April 24, April 29-30, May 6 & May 8, 2013 10:00 a.m.	<b>Energy Syndications Inc. Green Syndications Inc. , Syndications Canada Inc., Daniel Strumos, Michael Baum and Douglas William Chaddock</b>  s. 127  C. Johnson in attendance for Staff  Panel: TBA
March 18-25 & March 27-28, 2013 10:00 a.m.	<b>2196768 Ontario Ltd carrying on business as Rare Investments, Ramadhar Dookhie, Adil Sunderji and Evgueni Todorov</b>  s. 127  D. Campbell in attendance for Staff  Panel: EPK	April 11-22 & April 24, 2013 10:00 a.m.	<b>Morgan Dragon Development Corp., John Cheong (aka Kim Meng Cheong), Herman Tse, Devon Ricketts and Mark Griffiths</b>  s. 127  J. Feasby in attendance for Staff  Panel: EPK
March 21, 2013 9:00 a.m.	<b>Knowledge First Financial Inc.</b>  s. 127  D. Ferris in attendance for Staff  Panel: JEAT	April 15-22, April 25-May 6 & May 8-10, 2013 10:00 a.m.	<b>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.</b>  s.127  B. Shulman in attendance for Staff  Panel: JDC
March 21, 2013 9:00 a.m.	<b>Heritage Education Funds Inc.</b>  s. 127  D. Ferris in attendance for Staff  Panel: JEAT		

April 29-May 6 & May 8-10, 2013	<b>North American Financial Group Inc., North American Capital Inc., Alexander Flavio Arconti, and Luigino Arconti</b>	To be held In-Writing	<b>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 Corp., (aka Liquid Gold International Inc.) and Nanotech Industries Inc.</b>
10:00 a.m.	s. 127  M. Vaillancourt in attendance for Staff  Panel: TBA		s. 127
May 9, 2013	<b>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</b>	TBA	J. Feasby in attendance for Staff  Panel: JDC
10:00 a.m.	s.127  Y. Chisholm in attendance for Staff  Panel: TBA		<b>Yama Abdullah Yaqeen</b>  s. 8(2)  J. Superina in attendance for Staff  Panel: TBA
June 6, 2013	<b>New Hudson Television Corporation, New Hudson Television L.L.C. &amp; James Dmitry Salganov</b>	TBA	<b>Microsourceonline Inc., Michael Peter Anzelmo, Vito Curalli, Jaime S. Lobo, Sumit Majumdar and Jeffrey David Mandell</b>
10:00 a.m.	s. 127  C. Watson in attendance for Staff  Panel: MGC		s. 127  J. Waechter in attendance for Staff  Panel: TBA
September 16-23, September 25- October 7, October 9-21, October 23- November 4, November 6-18, November 20- December 2, December 4-16 & December 18-20, 2013	<b>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</b>	TBA	<b>Frank Dunn, Douglas Beatty, Michael Gollogly</b>
10:00 a.m.	s. 127  J. Waechter/U. Sheikh in attendance for Staff  Panel: TBA		s.127  K. Daniels in attendance for Staff  Panel: TBA
October 15-21, October 23-29, 2013	<b>Normand Gauthier, Gentree Asset Management Inc., R.E.A.L. Group Fund III (Canada) LP, and CanPro Income Fund I, LP</b>	TBA	<b>MRS Sciences Inc. (formerly Morningside Capital Corp.), Americo DeRosa, Ronald Sherman, Edward Emmons and Ivan Cavric</b>
10:00 a.m.	s.127  B. Shulman in attendance for Staff  Panel: TBA		s. 127 & 127(1)  D. Ferris in attendance for Staff  Panel: TBA



TBA	<b>Gold-Quest International, 1725587 Ontario Inc. carrying on business as Health and Harmony, Harmony Club Inc., Donald Iain Buchanan, Lisa Buchanan and Sandra Gale</b>	TBA	<b>FactorCorp Inc., FactorCorp Financial Inc. and Mark Twerdun</b>
	s.127		s. 127
	H. Craig in attendance for Staff		C. Price in attendance for Staff
	Panel: TBA		Panel: TBA
TBA	<b>Gold-Quest International, Health and Harmony, Iain Buchanan and Lisa Buchanan</b>	TBA	<b>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 Basingdale</b>
	s.127		s. 127
	H. Craig in attendance for Staff		H. Craig/C. Watson in attendance for Staff
	Panel: TBA		Panel: TBA
TBA	<b>Brilliante Brasilcan Resources Corp., York Rio Resources Inc., Brian W. Aidelman, Jason Georgiadis, Richard Taylor and Victor York</b>	TBA	<b>Innovative Gifting Inc., Terence Lushington, Z2A Corp., and Christine Hewitt</b>
	s. 127		s. 127
	H. Craig in attendance for Staff		M. Vaillancourt in attendance for Staff
	Panel: TBA		Panel: TBA
TBA	<b>Paul Azeff, Korin Bobrow, Mitchell Finkelstein, Howard Jeffrey Miller and Man Kin Cheng (a.k.a. Francis Cheng)</b>	TBA	<b>David M. O'Brien</b>
	s. 127		s. 37, 127 and 127.1
	T. Center/D. Campbell in attendance for Staff		B. Shulman in attendance for Staff
	Panel: TBA		Panel: TBA
TBA	<b>Uranium308 Resources Inc., Michael Friedman, George Schwartz, Peter Robinson, and Shafi Khan</b>	TBA	<b>Bunting &amp; Waddington Inc., Arvind Sanmugam, Julie Winget and Jenifer Brekelmans</b>
	s. 127		s. 127
	H. Craig/C. Rossi in attendance for Staff		S. Schumacher in attendance for Staff
	Panel: TBA		Panel: TBA
		TBA	<b>Colby Cooper Capital Inc. Colby Cooper Inc., Pac West Minerals Limited John Douglas Lee Mason</b>
			s. 127
			B. Shulman in attendance for Staff
			Panel: TBA

TBA	<b>Beryl Henderson</b>  s. 127  S. Schumacher in attendance for Staff  Panel: TBA	TBA	<b>Portus Alternative Asset Management Inc., Portus Asset Management Inc., Boaz Manor, Michael Mendelson, Michael Labanowich and John Ogg</b>  s. 127  H Craig in attendance for Staff  Panel: TBA
TBA	<b>International Strategic Investments, International Strategic Investments Inc., Somin Holdings Inc., Nazim Gillani and Ryan J. Driscoll.</b>  s. 127  C. Watson in attendance for Staff  Panel: TBA	TBA	<b>Irwin Boock, Stanton Defreitas, Jason Wong, Saudia Allie, Alena Dubinsky, Alex Khodjaants 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</b>  s. 127 & 127.1  D. Campbell in attendance for Staff  Panel: TBA
TBA	<b>Majestic Supply Co. Inc., Suncastle Developments Corporation, Herbert Adams, Steve Bishop, Mary Kricfalusi, Kevin Loman and CBK Enterprises Inc.</b>  s. 37, 127 and 127.1  D. Ferris in attendance for Staff  Panel: TBA	TBA	<b>Systematech Solutions Inc., April Vuong and Hao Quach</b>  s. 127  D. Ferris in attendance for Staff  Panel: TBA
TBA	<b>Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fund and Roy Brown (a.k.a. Roy Brown-Rodrigues)</b>  s.127 and 127.1  D. Ferris in attendance for Staff  Panel: TBA	TBA	<b>Ernst &amp; Young LLP</b>  s. 127 and 127.1  A. Clark in attendance for Staff  Panel: TBA
TBA	<b>Crown Hill Capital Corporation and Wayne Lawrence Pushka</b>  s. 127  A. Perschy/A. Pelletier in attendance for Staff  Panel: TBA	TBA	<b>Newer Technologies Limited, Ryan Pickering and Rodger Frey</b>  s. 127 and 127.1  B. Shulman in attendance for staff  Panel: TBA

TBA	<b>Global RESP Corporation and Global Growth Assets Inc.</b>  s. 127  D. Ferris in attendance for Staff  Panel: JEAT	TBA	<b>Sino-Forest Corporation, Allen Chan, Albert Ip, Alfred C.T. Hung, George Ho, Simon Yeung and David Horsley</b>  s.127  H. Craig in attendance for Staff  Panel: TBA
TBA	<b>Nest Acquisitions and Mergers, IMG International Inc., Caroline Myriam Frayssignes, David Pelcowitz, Michael Smith, and Robert Patrick Zuk</b>  s. 37, 127 and 127.1  C. Price in attendance for Staff  Panel: TBA	TBA	<b>Sino-Forest Corporation, Allen Chan, Albert Ip, Alfred C.T. Hung, George Ho and Simon Yeung</b>  s.127  H. Craig in attendance for Staff  Panel: TBA
TBA	<b>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</b>  s. 37, 127 and 127.1  C. Watson in attendance for Staff  Panel: PLK/JNR	TBA	<b>Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton</b>  s. 127  H. Craig in attendance for Staff  Panel: TBA
TBA	<b>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</b>  s.127  H. Craig/C. Rossi in attendance for Staff  Panel: TBA	TBA	<b>Oversea Chinese Fund Limited Partnership, Weizhen Tang and Associates Inc., Weizhen Tang Corp., and Weizhen Tang</b>  s. 127 and 127.1  H. Craig in attendance for Staff  Panel: TBA

**ADJOURNED SINE DIE**

**Global Privacy Management Trust and Robert Cranston**

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

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

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

1.1.2 Exempt Market Review – Consultation Sessions on OSC Staff Consultation Paper 45-710

## EXEMPT MARKET REVIEW

### Consultation Sessions on OSC Staff Consultation Paper 45-710

Staff of the Ontario Securities Commission (OSC) invite you to attend a consultation session in connection with the OSC's exempt market review, described in OSC Staff Consultation Paper 45-710 *Considerations for New Capital Raising Prospectus Exemptions*.

#### Choice of Sessions

**Dates:** **Wednesday, January 30, 2013 (9:00 am to 11:00 am)**  
**Thursday, February 7, 2013 (9:00 am to 11:00 am)**  
**Friday, February 8, 2013 (9:00 am to 11:00 am)**



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SECURITIES  
COMMISSION

**Location:** **January 30 and February 7, 2013** **February 8, 2013**  
 10 Adelaide Street East, Toronto, Ontario 250 Yonge Street, Toronto, Ontario  
 Birkbeck Room, 2<sup>nd</sup> Floor Seminar Room, 35<sup>th</sup> Floor

**Cost:** No charge

**RSVP:** Email: [exemptmarketconsultations@osc.gov.on.ca](mailto:exemptmarketconsultations@osc.gov.on.ca)  
 Deadline: Tuesday, January 22, 2013

#### OBJECTIVE OF CONSULTATION SESSIONS

On December 14, 2012, we published OSC Staff Consultation Paper 45-710 *Considerations for New Capital Raising Prospectus Exemptions*. The Consultation Paper sets out four concept ideas for new prospectus exemptions in Ontario, together with a number of specific consultation questions. The concept ideas are:

- a concept for an exemption to allow crowdfunding subject to limits for issuers and retail investors,
- a concept for an offering memorandum exemption,
- a concept for an exemption based on an investor's investment knowledge, and
- a concept for an exemption based on an investor receiving advice from a registrant.

**The purpose of the Consultation Paper and related consultation sessions is to obtain input from interested stakeholders on these concept ideas. The consultation sessions will have a particular focus on crowdfunding.**

For further information, please refer to the Consultation Paper which is available on the OSC website at [http://www.osc.gov.on.ca/documents/en/Securities-Category4/sn\\_20121214\\_45-710\\_exempt-market-review.pdf](http://www.osc.gov.on.ca/documents/en/Securities-Category4/sn_20121214_45-710_exempt-market-review.pdf).

Written comments may also be provided until February 12, 2013.

#### WHO SHOULD ATTEND

- Retail and institutional investors
- Management of issuers, particularly smaller issuers at an early stage of development
- Investment dealers, advisors to investors and other registrants
- Internal and external legal counsel, auditors and other professional advisors to issuers

**1.1.3 CSA Staff Notice 31-332 – Relevant Investment Management Experience for Advising Representatives and Associate Advising Representatives of Portfolio Managers**



**Canadian Securities  
Administrators**

**Autorités canadiennes  
en valeurs mobilières**

**CSA Staff Notice 31-332  
Relevant Investment Management Experience for Advising Representatives and Associate Advising  
Representatives of Portfolio Managers**

**January 17, 2013**

**Introduction**

Since September 28, 2009, when National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) came into effect, staff from the various provinces from the Canadian Securities Administrators (CSA staff or we) have reviewed over 2500 applications for registration as Advising Representatives (ARs) or Associate Advising Representatives (AARs).

**Substance and Purpose**

This notice provides applicants for AR and AAR registration with a summary of decisions about *relevant investment management experience*. We expect prospective applicants to consider the information in this notice when deciding whether to apply for AR or AAR registration, and when preparing an application.

Applicants need to meet both the educational and *relevant investment management experience* requirements in sections 3.11 and 3.12 of NI 31-103. Companion Policy 31-103CP – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (the CP) provides some guidance on relevant investment management experience.

**Scope**

In all cases in this notice, the applicant's educational qualifications met NI 31-103 requirements and the only question was whether the applicant had relevant investment management experience.

**Staff retains discretion to consider each application on its own facts**

This notice does not constrain staff's ability to assess each application on its facts. Nonetheless, staff strive to make consistent decisions.

**AAR registration does not automatically qualify an applicant for AR registration**

CSA staff consider whether experience gained while registered as an AAR is relevant investment management experience on a case-by-case basis. For example, many client relationship managers may not gain sufficient experience as an AAR to qualify as an AR.

**Client relationship management experience unlikely to qualify an applicant for AR registration**

We have often registered AR applicants who have client relationship management experience in a portfolio management context as AARs instead. Client relationship management experience, even when performed by AARs, may not provide sufficient experience performing securities research and analysis to qualify an individual for registration as an AR.

***Client Relationship Manager not approved as AR but approved as AAR***

The applicant possessed a number of years of industry experience, including 5 years assisting a registered AR at a registered Portfolio Manager (PM) firm. The applicant's experience assisting the AR in assessing suitability, creating investment policy statements, determining asset allocation, monitoring client portfolios and producing macroeconomic reports for the AR and for clients of the PM firm was considered valuable. However, the applicant had not demonstrated experience performing research or analysis of individual securities.

**Client relationship management may not trigger the registration requirement**

We recognize that many individuals who perform client relationship management services may not provide specific advice and therefore may not trigger the registration requirement.

For example, some client services representatives conduct activities such as marketing the services of the firm by providing general information about the registrant firm and its services that do not include a strategy tailored to any specific client. While some client service representatives may accompany an AR or AAR to meetings with clients and provide assistance with the completion of KYC forms, they might not themselves develop an investment policy statement for the client, provide specific

information such as recommending a particular model portfolio for the client or explain the implications of discretionary portfolio decisions that were made by the client's AR.

**Corporate finance experience may not qualify an applicant for AR registration**

We have declined to register a number of individuals who have corporate finance experience as ARs and instead registered them as AARs. While corporate finance experience may involve the valuation and analysis of companies and securities, the applicants' experience did not demonstrate an ability in, and understanding of, portfolio analysis or portfolio securities selection nor were the applicants able to demonstrate alternative experience managing investments on a discretionary basis.

***Investment Banker not approved as AR but approved as AAR***

The applicant possessed more than 4 years of experience working in the corporate finance division of a registered investment dealer. The applicant's experience valuing securities for initial public offerings, debt and equity financings, take-over bids and mergers and acquisitions was considered valuable. However, the applicant had not demonstrated any experience performing portfolio analysis or selecting securities for a portfolio of investments, such as KYC or suitability analysis or analysing correlation of securities. The applicant had also not demonstrated any experience managing investment portfolios on a discretionary basis.

**Experience at an IIROC dealer may not qualify an Applicant for AR registration**

For example, some registered representatives sell mostly or exclusively a limited number of model portfolios or "portfolio solutions" to clients based on their investment objectives, risk profile or other factors unique to the individual client. In these instances, we have generally registered the individual as an AAR.

***IIROC dealing representative not approved as AR but approved as AAR***

The applicant had been employed for more than 4 years with an IIROC member firm as a registered representative. The applicant met with clients to review and discuss KYC information and establish risk tolerance, objectives and time horizon. The applicant would make specific investment recommendations to achieve this asset mix recommendation and construct the portfolio by selecting the appropriate investment solutions and fixed income securities in accordance with the firm's model portfolios. The applicant discussed specific investment returns with the client and compared them to industry benchmarks and kept up-to-date on market and world events.

Other registered representatives may offer a much broader range of products involving significant security-specific research and analysis of their own. In some of these cases, depending on the specific facts provided, we registered the individuals as ARs.

***IIROC dealing representative approved as AR***

The applicant had been employed for more than 4 years with an IIROC member firm as a registered representative. The applicant met with clients to review and discuss KYC information and establish risk tolerance, objectives and time horizon. The applicant performed detailed research and analysis of investment funds, fixed income securities, structured investment products and single stocks. The applicant obtained data from various sources including issuer prospectuses, offering memorandums and other source documents. The application described the registered representative's process for performing detailed analysis with this data for different types of securities, the analysis of each individual security for the client and the analysis of the portfolio as a whole for the client.

**Consulting experience with portfolio manager selection and monitoring may not qualify an applicant for AR registration**

We have received applications from individuals who have experience as consultants, providing advice to individuals and corporations on asset allocation and the selection and ongoing performance of their investment portfolios or investment managers. We have found that the degree of specific advice and securities analysis, if any, performed by the individuals can vary extensively among firms and individuals and whether the individual has been approved as an AR, AAR or not approved at all is very case-specific.

***Consultant not approved as AR, AAR recommended based in part on other experience<sup>1</sup>***

The applicant carried on business providing general financial planning advice. The applicant did not specifically research individual securities in this capacity. The applicant would provide guidelines for investment policy and asset allocation. The applicant would perform research and analysis to review the performance of various registered portfolio managers and would refer clients for discretionary money management based on the research and analysis. The applicant also monitored the registered PMs based upon certain described criteria. While the applicant was not able to demonstrate any specific securities research and analysis or securities selection in this role, the applicant was able to demonstrate some experience analysing the merits of specific securities in a different role.

In some situations, the activities submitted as relevant investment management experience involve or may involve providing specific advice to clients and therefore may require registration. We also recognize that many individuals who provide portfolio manager selection and monitoring do not provide specific advice and therefore may not trigger the registration requirement. Among the factors we have taken into account are:

- whether the client contracts with the portfolio manager(s) or the consultant
- whether the consultant manages the hiring and evaluation of the portfolio managers
- the degree of reliance by the client on the consultant
- the client's expectations as set out in the contract with the consultant.

**Mutual fund sales experience unlikely to qualify applicant as AAR or AR**

We have received applications from individuals employed by IIROC firms or mutual fund dealer firms who have primarily or exclusively sold mutual funds to clients based on the investment objectives, risk profile and other factors unique to the individual client. We have not generally registered individuals whose experience has been limited to mutual fund sales as ARs or AARs because they were not able to demonstrate sufficient experience analysing individual securities or managing investments on a discretionary basis.

***Mutual Fund dealing representative not approved as AR or AAR***

The applicant possessed over 10 years of experience as a mutual fund dealing representative. The applicant met with clients to review and discuss KYC information and establish risk tolerance, objectives and time horizon and recommended a combination of proprietary mutual funds based on this assessment. The applicant possessed an additional year of experience taking orders for the purchase and sale of securities as a registered investment representative at a discount brokerage firm. The applicant was not able to demonstrate any significant experience performing individual securities analysis or selection or any experience working in a discretionary investment management environment.

**Questions**

Please refer your questions to any of the following:

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Ontario Securities Commission  
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<sup>1</sup> The application was withdrawn.



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**1.2 Notices of Hearing**

**1.2.1 Issam El-Bouji 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  
ISSAM EL-BOUJI, GLOBAL RESP CORPORATION,  
GLOBAL GROWTH ASSETS INC., GLOBAL EDUCATIONAL  
TRUST FOUNDATION AND MARGARET SINGH**

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

**TAKE NOTICE THAT** the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to sections 127 and 127.1 of the Ontario *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") at the temporary offices of the Commission at 333 Bay Street, Suite 900, Toronto, Ontario, commencing on January 28, 2013 at 12:00 p.m. or as soon thereafter as the hearing can be held, to consider:

- (a) whether, in the opinion of the Commission, it is in the public interest, pursuant to ss. 127 and 127.1 of the Act to order that:
  - (i) the registration of Issam El-Bouji ("Bouji"), Global RESP Corporation, Global Growth Assets Inc. and Margaret Singh ("Singh") be suspended or terminated permanently or for such period as is specified by the Commission or that terms and conditions be imposed on the registration of these respondents;
  - (ii) trading in any securities by Bouji, Global RESP Corporation, Global Growth Assets Inc., Global Educational Trust Foundation and Margaret Singh (the "Respondents") cease permanently or for such period as is specified by the Commission;
  - (iii) the acquisition of any securities by the Respondents is prohibited permanently or for such other period as is specified by the Commission;
  - (iv) any exemptions contained in Ontario securities law do not apply to the Respondents permanently or for such period as is specified by the Commission;
  - (v) the Respondents be reprimanded;
  - (vi) Bouji and Singh (the "Individual Respondents") resign one or more positions that they hold as a director or officer of any issuer, registrant or investment fund manager;
  - (vii) the Individual Respondents be prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager;
  - (viii) the Respondents be prohibited from becoming or acting as a registrant, an investment fund manager or a promoter;
  - (ix) the Respondents pay an administrative penalty of not more than \$1 million for each failure by that Respondent to comply with Ontario securities law;
  - (x) the Respondents disgorge to the Commission any amounts obtained as a result of non-compliance by that Respondent with Ontario securities law; and
  - (xi) the Respondents be ordered to pay the costs of the Commission investigation and the hearing; and
- (b) whether to make such further orders as the Commission considers appropriate.

**BY REASON OF** the allegations as set out in the Statement of Allegations of Staff of the Commission dated January 10, 2013 and such additional allegations 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 any further notice of the proceedings.

**DATED** at Toronto this 10th day of January, 2013

“John Stevenson”

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

AND

IN THE MATTER OF  
ISSAM EL-BOUJI, GLOBAL RESP CORPORATION,  
GLOBAL GROWTH ASSETS INC.,  
GLOBAL EDUCATIONAL TRUST FOUNDATION  
AND MARGARET SINGH

STATEMENT OF ALLEGATIONS OF  
STAFF OF THE ONTARIO SECURITIES COMMISSION

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

**I. OVERVIEW**

1. Global RESP Corporation ("Global RESP") distributes units of the Global Educational Trust Plan (the "Plan"), a scholarship plan. Global Growth Assets Inc. ("GGAI") is the current registered investment fund manager ("IFM") of the Plan. Prior to September 28, 2010, Global Educational Trust Foundation (the "Foundation") was, among other things, the IFM of the Plan.
2. Issam El-Bouji ("Bouji") is a director and officer of Global RESP, GGAI and the Foundation and the Ultimate Designated Person (the "UDP") of both Global RESP and GGAI. Bouji is the sole shareholder of both GGAI and Global RESP.
3. Margaret Singh ("Singh") is the Chief Compliance Officer ("CCO") of Global RESP.

**A. Unauthorized Investments**

4. During the period February 2009 to September 2011, despite not being registered to advise in securities, Bouji, the Foundation and GGAI (after September 28, 2010) directed that over \$30,000,000 in funds received from Plan subscribers be used to purchase subordinated notes (the "PWB Notes") of Pacific and Western Bank of Canada ("PWB"), a chartered bank. Global Maxfin Capital Inc. ("GMCI"), a company owned by Bouji, received finders' fees/commissions totalling approximately \$2,000,000 in connection with the purchase of the PWB Notes and a PWB Guaranteed Investment Certificate (the "PWB GIC") (collectively the "PWB Transactions").
5. By directing the purchase of the PWB Notes, each of Bouji, the Foundation and GGAI (after September 28, 2010) engaged in advising without registration contrary to subsection 25(3) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") and subsection 25(1)(c) of the Act in respect of the conduct prior to September 28, 2009 (as that subsection existed prior to September 28, 2009).
6. The PWB Transactions and other transactions giving rise to conflicts of interest were not referred to the Plan's independent review committee ("IRC") by the Foundation or GGAI (after September 28, 2010) in breach of sections 5.1 and 5.3 of National Instrument 81-107 *Independent Review Committee for Investment Funds* ("NI 81-107").
7. The conflicts of interest inherent in the PWB Transactions were not disclosed in the Plan's prospectuses dated August 28, 2009 (the "2009 Prospectus") and August 26, 2011 (the "2011 Prospectus") which prospectuses stated that there were no conflicts of interest between the Plan and the IFM and any director or executive officer of the manager of the Plan. By signing certificates stating that the 2009 and 2011 Prospectuses contained full, true and plain disclosure of all material facts, each of Bouji, the Foundation, Global RESP and GGAI (in respect of the 2011 Prospectus) breached section 56 of the Act.
8. In addition, GGAI failed to meet its duties to the Plan pursuant to section 116 of the Act by:
  - a. allowing fees totalling \$450,575.34 to be paid to the benefit of GMCI in connection with the purchase of the PWB GIC when these fees were offered by PWB to be paid to the Plan in view of the lower return to the Plan caused by PWB's retraction of a subordinated note; and
  - b. failing to recognize and record certain mandatory payments owing to the nominees of subscribers who purchased units of the Plan pursuant to prospectuses dated November 25, 2002, August 26, 2003 and August 23, 2004 (the "2002 to 2004 Prospectuses").

9. In view of this conduct, Bouji, as the UDP of GGAI commencing on August 2, 2011, failed to fulfill his obligations pursuant to section 5.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103").

## **B. Poor Compliance**

10. Staff of the Commission conducted a compliance review of Global RESP for the period June 1, 2010 to May 31, 2011 (the "Review Period") which indicated, among other things, that Global RESP: (i) failed to establish and maintain systems of control and supervision in breach of subsection 32(2) of the Act and sections 11.1, 12.3 and 13.15 of NI 31-103; (ii) failed to meet its suitability obligations in breach of section 13.3 and subsection 13.2(2) of NI 31-103; and (iii) failed to deal fairly, honestly and in good faith with its clients in breach of subsection 2.1(1) of OSC Rule 31-505 *Conditions of Registration* ("OSC Rule 31-505").
11. In view of the above, Bouji, as Global RESP's UDP and Singh, as Global RESP's CCO, breached their obligations pursuant to sections 5.1 and 5.2, respectively, of NI 31-103.

## **II. BACKGROUND**

### **A. The Respondents**

12. The Foundation was incorporated on or about November 20, 1996 pursuant to Part II of the *Canada Corporations Act*, R.S.C. 1970, c. C-32, as amended. The Foundation has been the promoter of the Plan since the Plan's inception and the IFM of the Plan from its inception to on or about September 28, 2010. Bouji has been a director and officer of the Foundation since the Plan's inception. The Foundation has never been registered with the Commission in any capacity.
13. GGAI was incorporated in Canada on or about August 15, 2008. On or about September 28, 2010, GGAI became the IFM and the administrator of the Plan and GGAI applied to be registered as an IFM. On or about August 2, 2011, GGAI became registered with the Commission as an IFM.
14. Global RESP, formerly known as Global Educational Marketing Corporation, was incorporated in Canada on or about June 11, 1997. Global RESP has been registered with the Commission as a dealer in the category of scholarship plan dealer since on or about October 9, 1998.
15. Bouji is registered with the Commission in connection with a number of registered firms including as:
  - (i) an officer, director, shareholder and the UDP for Global RESP since on or about December 18, 2009;
  - (ii) an officer, director and the UDP for GGAI since on or about August 2, 2011; and
  - (iii) an officer, director and shareholder of GMCI since on or about March 2, 2006 and as the UDP of GMCI since on or about January 13, 2010. GMCI is a company incorporated in Canada on or about August 29, 1986. GMCI is registered with the Commission as a dealer in the category of investment dealer. GMCI is also a dealer member of the Investment Industry Regulatory Organization of Canada ("IIROC") in the category Securities, Options and Managed Accounts.
16. Singh is a director of the Foundation and has been registered with the Commission as the CCO of Global RESP since on or about June 8, 2005.

### **B. The PWB Transactions**

17. Bouji, the Foundation and GGAI (after September 28, 2010), directed one of the Plan's portfolio advisers to process the following PWB Transactions involving the Plan's assets:
  - a. the purchase on February 27, 2009 of a subordinated note from PWB with a par value of \$10 million for which GMCI received finders' fees from PWB totalling \$500,000;
  - b. the purchase on April 30, 2009 of a subordinated note from PWB with a par value of \$10 million for which GMCI received finders' fees from PWB totalling \$500,000;
  - c. the purchase on February 24, 2010 of a PWB subordinated note with a par value of \$1.5 million from the Foundation;

- d. the purchase on March 11, 2011 of a subordinated note from PWB with a par value of \$10 million for which GMCI received finders' fees from PWB totalling \$500,000; and
- e. the purchase effective July 31, 2011 of a PWB GIC in the amount of \$10 million for which GMCI ultimately received the benefit of fees paid by PWB totalling \$450,575.34.

**(i) Advising without registration**

- 18. Each of the PWB Notes constituted a "security" pursuant to subparagraph (e) of the definition of "security" under section 1 of the Act.
- 19. None of Bouji, the Foundation or GGAI were registered to advise in securities when they directed the purchase of the PWB Notes.
- 20. None of the PWB Notes were purchased as a result of advice received from a registered portfolio manager. On the contrary, prior to the purchase of the PWB Notes, one of the Plan's registered portfolio advisers, Scotia Asset Management LP ("Scotia") warned the Foundation and/or its representative that: (i) PWB was not on Scotia's approved issuer list; (ii) PWB was not rated by a recognized rating agency; and (iii) PWB Notes would have very little liquidity.

**(ii) Failure to refer conflicts of interest to the Plan's IRC**

- 21. None of the PWB Transactions were approved by the Foundation's board of directors and, in the case of the PWB Transactions occurring after September 28, 2010, none of these transactions were approved by GGAI's board of directors. Despite the conflicts of interests inherent in the PWB Transactions, none of the PWB Transactions were referred to the Plan's IRC.
- 22. In addition, two other transactions/decisions that gave rise to a conflict of interest were not referred to the Plan's IRC:
  - a. a credit facility of \$4.27 million that was advanced by PWB on December 30, 2010 to Global Maxfin Developments Inc. ("GMDI"), an entity owned by Bouji; and
  - b. the decision made in 2012 by GGAI to increase the administrative fee it charged to the Plan from 1% to 1.2%.

**(iii) Failure to provide full, true and plain disclosure in the 2009 and 2011 Prospectuses**

- 23. The 2009 and 2011 Prospectuses state that there are no conflicts of interest between the Plan and the IFM and any director or executive officer of the manager of the Plan.
- 24. Pursuant to subsection 58(2) of the Act and section 5.10 of National Instrument 41-101 *General Prospectus Requirements* ("NI 41-101"), Bouji, on behalf of the Foundation as the promoter and IFM of the Plan and on behalf of Global RESP as the Distributor of the Plan, certified that the 2009 Prospectus contained full, true and plain disclosure of all material facts relating to the securities offered by the 2009 Prospectus.
- 25. However, the purchase of the PWB subordinated notes on February 27, 2009 and April 30, 2009 referred to in subparagraphs 17(a) and 17(b) above, individually and/or collectively, constituted material conflicts of interest that were required to be disclosed in the 2009 Prospectus pursuant to section 56 of the Act and section 19.3 of Form 2 of NI 41-101 ("Form 41-101F2").
- 26. Pursuant to subsection 58(2) of the Act and section 5.10 of NI 41-101, Bouji, on behalf of the Foundation as the promoter of the Plan and on behalf of GGAI as the IFM of the Plan, certified that the 2011 Prospectus contained full, true and plain disclosure of all material facts relating to the securities offered by the 2011 Prospectus. In addition, Bouji, on behalf of Global RESP as the Distributor of the Plan, certified that, to the best of Global RESP's knowledge, information and belief, the 2011 Prospectus contained full, true and plain disclosure of all material facts relating to the securities offered by the 2011 Prospectus.
- 27. However, the purchase of the PWB subordinated note on March 11, 2011 and the purchase of the PWB GIC on July 31, 2011 referred to in subparagraphs 17 (d) and 17(e) above, individually and/or collectively, constituted material conflicts of interest that were required to be disclosed in the Plan's 2011 Prospectus pursuant to section 56 of the Act and section 19.3 of Form 41-101F2.

**(iv) Failure to meet the standard of an IFM**

28. In or about August, 2011, PWB advised Bouji that PWB intended to retract the PWB note issued on February 27, 2009 with a par value of \$10 million and an interest rate of 11%. When Bouji complained about the loss of return to the Plan caused by the retraction of the note, PWB offered to replace the note with a 10 year GIC with an interest rate of 4.5% and pay a broker and brokerage fee on the GIC to the Plan in order to enhance the Plan's income in 2011.
29. Thereafter, Bouji caused the Plan to purchase the 10 year PWB GIC. However, no fees were paid to the Plan in respect of this transaction. Rather, GMCI ultimately received the benefit of fees paid by PWB totalling \$450,575.34 in connection with the PWB GIC. By allowing the \$450,575.34 in fees to be paid ultimately to the benefit of GMCI, GGAI failed to discharge its duties honestly, in good faith and in the best interests of the Plan.

**C. Failure to recognize and record the repayment of mandatory Enrolment Fees**

30. Since inception, the Plan has been charging enrolment fees to subscribers in the amount of \$60 per unit of \$504 ("Enrolment Fees").
31. The 2002 to 2004 Prospectuses create an obligation by the Foundation to repay Enrolment Fees to the nominees of subscribers who purchased units in the Plan pursuant to those prospectuses, if the subscribers otherwise meet the requirements set out in those prospectuses for the repayment of Enrolment Fees.
32. Pursuant to an Assignment and Assumption Agreement In Respect of Trust Indenture and Administrative Agreement dated September 27, 2010, GGAI was appointed the IFM of the Plan and the Foundation transferred to GGAI all of its rights, title, interest, duties and obligations that existed under a Trust Indenture and an Administrative Agreement both dated October 14, 1998 (the "Administrative Agreement") and subsequently modified by two agreements dated May 18, 2004, namely (i) the Resignation, Appointment and Assignment Agreement and (ii) the Amending Agreement.
33. Pursuant to the Administrative Agreement, GGAI is required to "ensure all payments required to be made under the Plan have been calculated and paid to Nominees or withdrawn by the Subscribers thereto in accordance with the provisions of the Plan".
34. GGAI has failed to recognize the mandatory obligation to repay Enrolment Fees created by the 2002 to 2004 Prospectuses. By failing to recognize this mandatory obligation and by failing to record Enrolment Fees in a manner that recognizes the mandatory obligation to repay Enrolment Fees for plans entered into pursuant to the 2002 to 2004 Prospectuses, GGAI has failed to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

**D. Significant compliance deficiencies by Global RESP**

35. Staff of the Commission conducted a compliance review of Global RESP for the Review Period and prepared a report dated March 7, 2012 (the "Compliance Report"). The Compliance Report set out a number of significant deficiencies occurring during the Review Period which demonstrate, among other things, a failure by Global RESP to:
  - a. establish and maintain systems of control and supervision;
  - b. comply with its suitability obligations; and
  - c. deal fairly, honestly and in good faith with its clients.

**E. Failure to meet the obligations of a UDP**

36. Bouji was the UDP of Global RESP during the Review Period. Given the significant deficiencies noted in the Compliance Report, Bouji failed in his obligations as UDP of Global RESP to:
  - a. supervise the activities of Global RESP that are directed towards ensuring compliance with securities legislation by Global RESP and each individual acting on Global RESP's behalf; and
  - b. promote compliance by Global RESP and individuals acting on Global RESP's behalf with securities legislation.
37. Bouji has been the UDP of GGAI since August 2, 2011. As a result of the conduct by GGAI referred to above occurring after August 2, 2011 and Bouji's failure, after August 2, 2011, to disclose the fees earned by GMCI and/or Global RESP

in connection with the PWB investments to those who would need to know that information to ensure compliance with securities legislation, Bouji failed in his obligations as the UDP of GGAI to:

- a. supervise the activities of GGAI that are directed towards ensuring compliance with securities legislation by GGAI and each individual acting on GGAI's behalf; and
- b. promote compliance by GGAI and individuals acting on GGAI's behalf with securities legislation.

**F. Failure to meet obligations of a CCO**

38. Singh was the CCO of Global RESP during the Review Period. As a result of the significant deficiencies noted in the Compliance Report, Singh failed in her obligations as the CCO of Global RESP to:

- a. establish and maintain policies and procedures for assessing compliance by Global RESP and individuals acting on Global RESP's behalf; and
- b. monitor and assess compliance by Global RESP and individuals acting on Global RESP's behalf, with securities legislation.

**III. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST**

39. The specific allegations advanced by Staff are:

- a. Bouji and the Foundation advised in securities in breach of subsection 25(1)(c) of the Act (as that subsection existed prior to September 28, 2009) and, after September 28, 2009, Bouji, the Foundation and GGAI (in respect of transactions occurring after September 28, 2010) advised in securities in breach of subsection 25(3) of the Act and contrary to the public interest;
- b. the Foundation and GGAI breached their obligations under sections 5.1 and 5.3 of NI 81-107 and acted contrary to the public interest by failing to refer the conflicts of interests referred to above to the Plan's IRC and by failing to follow the procedure set out in section 5.3 of NI 81-107 prior to proceeding with the transactions referred to above that should have been referred to the Plan's IRC;
- c. Bouji, the Foundation and Global RESP breached section 56 of the Act and acted contrary to the public interest by failing to provide full, true and plain disclosure of all material facts in the 2009 Prospectus;
- d. Bouji, the Foundation, GGAI and Global RESP breached section 56 of the Act and acted contrary to the public interest by failing to provide full, true and plain disclosure of all material facts in the 2011 Prospectus;
- e. GGAI breached subsection 116(a) of the Act and acted contrary to the public interest by allowing the payment of fees in the amount of \$450,575.34 arising from the Plan's purchase of a PWB GIC in 2011 to be paid ultimately to the benefit of GMCI instead of to the Plan;
- f. GGAI breached subsection 116(b) of the Act and acted contrary to the public interest by failing to recognize the mandatory obligation to repay Enrolment Fees created by the 2002 to 2004 Prospectuses and by not recording the Enrolment Fees payable for plans entered into pursuant to the 2002 to 2004 Prospectuses in a manner that recognizes this mandatory obligation;
- g. Global RESP failed to establish and maintain systems of control and supervision in breach of subsection 32(2) of the Act and sections 11.1, 12.3 and 13.15 of NI 31-103 and contrary to the public interest;
- h. Global RESP failed to comply with its suitability obligations in breach of section 13.3 and subsection 13.2(2) of NI 31-103 and contrary to the public interest;
- i. Global RESP failed to deal fairly, honestly and in good faith with its clients in breach of subsection 2.1(1) of OSC Rule 31-505 and contrary to the public interest;
- j. Singh breached her obligations as the CCO of Global RESP contrary to section 5.2 of NI 31-103 and contrary to the public interest;
- k. Bouji breached his obligations as the UDP of Global RESP contrary to section 5.1 of NI 31-103 and contrary to the public interest;



- l. Bouji breached his obligations as the UDP of GGAI contrary to section 5.1 of NI 31-103 and contrary to the public interest; and
- m. Bouji, as an officer and director of the Foundation, GGAI and Global RESP did authorize, permit and/or acquiesce in the breaches of Ontario securities law by the Foundation, Global RESP and GGAI referred to above pursuant to section 129.2 of the Act.

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

Dated at Toronto this 10th day of January, 2013

**1.2.2 Primaris Retail Real Estate Investment Trust and KS Acquisition II LP – s. 127**

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

**AND**

**IN THE MATTER OF  
PRIMARIS RETAIL REAL ESTATE  
INVESTMENT TRUST AND KS ACQUISITION II LP**

**NOTICE OF HEARING  
(Section 127)**

**TAKE NOTICE** that the Ontario Securities Commission (the “Commission”) will hold a hearing (the “Hearing”) at the temporary offices of the Commission at ASAP Reporting Services Inc., Bay Adelaide Centre, 333 Bay Street, Suite 900, Toronto, Ontario commencing on Wednesday, January 30, 2013 at 10:00 a.m. or as soon thereafter as the Hearing can be held;

**TO CONSIDER** whether it is in the public interest to make a cease trade order in respect of the unitholders rights plan of Primaris Retail Real Estate Investment Trust pursuant to an application by KS Acquisition II LP.

**DATED** at Toronto this 11th day of January, 2013.

“John Stevenson”  
Secretary to the Commission

**1.3 News Releases**

**1.3.1 Canadian Securities Regulators Adopt Amendments to Improve Scholarship Plan Disclosure for Investors**



**Canadian Securities  
Administrators**

**Autorités canadiennes  
en valeurs mobilières**

**FOR IMMEDIATE RELEASE  
January 10, 2013**

**Canadian Securities Regulators Adopt Amendments to  
Improve Scholarship Plan Disclosure for Investors**

**Toronto** – The Canadian Securities Administrators (CSA) announced today the adoption of amendments to National Instrument 41-101 *General Prospectus Requirements* and Form 41-101F2 *Information Required in an Investment Fund Prospectus*, which are designed to provide investors with enhanced disclosure about scholarship plans.

The adopted amendments represent an important step in modernizing the regulation of scholarship plans by introducing Form 41-101F3 *Information Required in a Scholarship Plan Prospectus*, a new prospectus form that is tailored to the unique features of scholarship plans.

Central to the new form is the Plan Summary, a short, concise document that provides investors with key information in a simple, accessible and comparable format. The Plan Summary is in plain language and provides important information about the potential risks and costs of investing in a scholarship plan.

“Saving for a child’s education is an important step in investment planning and these materials are aimed at providing families with information in an easy-to-understand format in order to help them make an informed investment decision,” said Bill Rice, Chair of the CSA and Chair and CEO of the Alberta Securities Commission.

A copy of the Notice and related materials can be found on the websites of CSA members. In some jurisdictions, ministerial approvals are required to implement the amendments. If all such approvals are obtained, the amendments will come into force on May 31, 2013.

The CSA, the council of the securities regulators of Canada’s provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

**For more information:**

Carolyn Shaw-Rimington  
Ontario Securities Commission  
416-593-2361

Mark Dickey  
Alberta Securities Commission  
403-297-4481

Sylvain Thériault  
Autorité des marchés financiers  
514-940-2176

Richard Gilhooley  
British Columbia Securities  
Commission  
604-899-6713

Ainsley Cunningham  
Manitoba Securities Commission  
204-945-4733

Wendy Connors-Beckett  
New Brunswick Securities Commission  
506-643-7745

Tanya Wiltshire  
Nova Scotia Securities Commission  
902-424-8586

Dean Morrison  
Financial and Consumer Affairs Authority  
of Saskatchewan  
306-787-5842

Janice Callbeck  
The Office of the Superintendent  
of Securities, P.E.I.  
902-368-6288

Doug Connolly  
Financial Services Regulation Division  
Newfoundland and Labrador  
709-729-2594

Rhonda Horte  
Office of the Yukon Superintendent  
of Securities  
867-667-5466

Louis Arki  
Nunavut Securities Office  
867-975-6587

Donn MacDougall  
Northwest Territories  
Securities Office  
867-920-8984

**1.4 Notices from the Office of the Secretary**

**1.4.1 Simply Wealth Financial Group Inc. et al.**

**FOR IMMEDIATE RELEASE  
January 10, 2013**

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

**AND**

**IN THE MATTER OF  
SIMPLY WEALTH FINANCIAL GROUP INC.,  
NAIDA ALLARDE, BERNARDO GIANGROSSO,  
K&S GLOBAL WEALTH CREATIVE STRATEGIES INC.,  
KEVIN PERSAUD, MAXINE LOBBAN and WAYNE  
LOBBAN**

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

A copy of the Reasons and Decision on Sanctions and Costs and the Order dated January 9, 2013 are available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

OFFICE OF THE SECRETARY  
JOHN P. STEVENSON  
SECRETARY

For media inquiries:  
[media\\_inquiries@osc.gov.on.ca](mailto:media_inquiries@osc.gov.on.ca)

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416-593-2361

Alison Ford  
Media Relations Specialist  
416-593-8307

For investor inquiries:

OSC Contact Centre  
416-593-8314  
1-877-785-1555 (Toll Free)

**1.4.2 Issam El-Bouji et al.**

**FOR IMMEDIATE RELEASE  
January 10, 2013**

**IN THE MATTER OF  
THE SECURITIES ACT**

**R.S.O. 1990, c. S.5, AS AMENDED**

**AND**

**IN THE MATTER OF  
ISSAM EL-BOUJI, GLOBAL RESP CORPORATION,  
GLOBAL GROWTH ASSETS INC.,  
GLOBAL EDUCATIONAL TRUST FOUNDATION  
AND MARGARET SINGH**

**TORONTO** – The Office of the Secretary issued a Notice of Hearing on January 10, 2013 setting the matter down to be heard on January 28, 2013 at 12:00 p.m. or as soon thereafter as the hearing can be held in the above named matter.

A copy of the Notice of Hearing dated January 10, 2013 and Statement of Allegations of Staff of the Ontario Securities Commission dated January 10, 2013 are available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

OFFICE OF THE SECRETARY  
JOHN P. STEVENSON  
SECRETARY

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**1.4.3 Peter Sbaraglia**

**FOR IMMEDIATE RELEASE  
January 11, 2013**

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

**AND**

**IN THE MATTER OF  
PETER SBARAGLIA**

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

1. A hearing will be held on February 8, 2013 at 10:00 a.m. for the purpose of considering a motion by the Receiver, if applicable, to review the issuance of the summons to the Receiver in accordance with subrule 4.7(2) of the Rules; and
2. A hearing will be held on February 8, 2013 at 10:00 a.m., following the hearing to which reference is made in paragraph 1 above, if applicable, and on such other date and time as agreed to by the parties and determined by the Office of the Secretary, for the purpose of considering a motion by any other party to whom a summons has been issued to review the issuance of a summons to such party in accordance with subrule 4.7(2) of the Rules.

A copy of the Order dated January 9, 2013 is available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

OFFICE OF THE SECRETARY  
JOHN P. STEVENSON  
SECRETARY

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**1.4.4 Primaris Retail Real Estate investment Trust  
and KS Acquisition II LP**

**FOR IMMEDIATE RELEASE  
January 11, 2013**

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

**AND**

**IN THE MATTER OF  
PRIMARIS RETAIL REAL ESTATE  
INVESTMENT TRUST AND KS ACQUISITION II LP**

**TORONTO** – On January 11, 2013, the Commission issued a Notice of Hearing pursuant to section 127 of the *Securities Act* to consider the Application of KS Acquisition II LP dated December 21, 2012. The hearing will be held on January 30, 2013 at 10:00 a.m. at the temporary offices of the Commission at ASAP Reporting Services Inc., Bay Adelaide Centre, 333 Bay Street, Suite 900, Toronto, Ontario.

A copy of the Notice of Hearing dated January 11, 2013 and the Application dated December 21, 2012 are available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

OFFICE OF THE SECRETARY  
JOHN P. STEVENSON  
SECRETARY

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1-877-785-1555 (Toll Free)

**1.4.5 Morgan Dragon Development Corp. et al.**

**IN THE MATTER OF  
THE SECURITIES ACT  
R.S.O. 1990, c. S.5, as amended**

**AND**

**IN THE MATTER OF  
MORGAN DRAGON DEVELOPMENT CORP.,  
JOHN CHEONG (AKA KIM MENG CHEONG),  
HERMAN TSE, DEVON RICKETTS AND  
MARK GRIFFITHS**

**TORONTO** – The Commission issued an Order in the above named matter which provides that a further confidential pre-hearing conference will be held on February 19, 2013, at 9:00 a.m.

The pre-hearing conference will be *in camera*.

A copy of the Order dated January 11, 2013 is available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

OFFICE OF THE SECRETARY  
JOHN P. STEVENSON  
SECRETARY

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**1.4.6 Newer Technologies Limited et al.**

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

**AND**

**IN THE MATTER OF  
NEWER TECHNOLOGIES LIMITED, RYAN PICKERING  
AND RODGER FREY**

**TORONTO** – The Commission issued an Order in the above named matter which provides that a confidential pre-hearing conference shall take place at the offices of the Commission at 20 Queen Street West, 17th Floor, Toronto, Ontario, on March 18, 2013 at 9:00 a.m. or as soon thereafter as the hearing can be held.

The pre-hearing conference will be *in camera*.

A copy of the Order dated January 11, 2013 is available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

OFFICE OF THE SECRETARY  
JOHN P. STEVENSON  
SECRETARY

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## Chapter 2

# Decisions, Orders and Rulings

### 2.1 Decisions

#### 2.1.1 Plexmar Resources Inc.

##### Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Application for an order that the issuer is not a reporting issuer under applicable securities laws. Requested relief granted.

##### Applicable Legislative Provisions

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

January 8, 2013

##### [Translation]

IN THE MATTER OF  
THE SECURITIES LEGISLATION  
OF QUÉBEC, ALBERTA AND ONTARIO  
(the “Jurisdictions”)

AND

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

AND

IN THE MATTER OF  
PLEXMAR RESOURCES INC.  
(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 the Filer is not a reporting issuer (the **Exemptive Relief Sought**).

Under the process for Exemptive Relief Application in Multiple Jurisdictions (for a coordinated review application):

- (a) the Autorité des marchés financiers is the principal regulator for the application, and
- (b) the decision is the decision of the principal regulator and evidences the decision of each other Decision Maker.

##### Interpretation

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

##### Representations

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

1. The Filer was incorporated on June 20, 1951 under the *Canada Business Corporations Act* and was continued under the *Business Corporations Act* (Ontario) on November 2, 2012.
2. The Filer's head office is located in Québec City, Québec at 2505, Boulevard Laurier, Suite 240, Québec City, Québec G1V 2L2.
3. The Filer is a reporting issuer in each of the Jurisdictions.
4. The authorized capital of the Filer consists of an unlimited number of common shares without par value (the **Common Shares**).
5. All of the outstanding Common Shares of the Filer were acquired by Dia Bras Exploration Inc. (**Dia Bras**) pursuant to a statutory plan of arrangement under the Business Corporations Act (Ontario) (the **Arrangement**) on November 14, 2012.
6. Under the terms of the Arrangement, all of the previously issued options and warrants to acquire Common Shares were cancelled for no consideration.
7. The Arrangement was approved by the shareholders of the Filer on October 29, 2012 and the final order approving the Arrangement was granted by the Ontario Superior Court of Justice on November 13, 2012.
8. The Common Shares were delisted from the Toronto Stock Exchange as at the close of business on November 16, 2012.
9. No securities of the Filer, including debt securities, are traded in Canada or another country on a marketplace as defined in National Instrument 21-101 Marketplace Operation or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported.

10. The Filer ceased to be a reporting issuer in British Columbia on November 27, 2012.
11. The Filer is not in default of any of its obligations under the Legislation as a reporting issuer, except for the obligation to file its interim financial statements and related management's discussion and analysis for the period ended September 30, 2012, as required under National Instrument 51-102 – *Continuous Disclosure Obligations* and the related certification of such financial statements as required under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* which were due on November 29, 2012.
12. The Filer is not eligible to use the simplified procedure under CSA Staff Notice 12-307 – *Application for a Decision that an Issuer is not a Reporting Issuer* because it is in default of its obligation under the Legislation as a reporting issuer.
13. The outstanding securities of the Filer, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide.
14. The Filer does not intend to seek public financing by way of an offering of its securities in Canada or to list its securities on any marketplace in Canada.
15. The Filer 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.
16. Upon the granting of the Exemptive Relief Sought, the Filer will no longer be a reporting issuer or the equivalent in any jurisdiction in Canada.

#### Decision

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

The decision of the Decision Makers under the Legislation is that the Exemptive Relief Sought is granted.

Gilles Leclerc, Senior Director  
Corporate Finance  
Autorité des marchés financiers

#### 2.1.2 Central Goldtrust

##### Headnote

National Policy 11–203 Process For Exemptive Relief Applications in Multiple Jurisdictions –Securities Act (Ontario) – Application to vary a decision of the Commission – Reporting issuer seeking relief so that it can continue to file financial statements in accordance with old Canadian GAAP (rather than IFRS) – Issuer previously granted relief for periods relating to the Filer's financial year beginning on January 1, 2011 and ending on December 31, 2011 and the Filer's financial year beginning January 1, 2012 and ending December 31, 2012 (collectively, the issuer's deferred financial years) – Issuer applied for a variation to extend the issuers deferred financial years for one additional year to include the Filer's financial year beginning January 1, 2013 and ending on December 31, 2013 – In particular, the issuer is seeking relief from the requirements in Part 3 of National Instrument 52–107 that would apply to financial statements for periods relating to the issuer's deferred financial years – The issuer is also seeking relief from the IFRS–related amendments to the continuous disclosure, prospectus, certification and audit committee rules (collectively, the rules) that came into force on January 1, 2011 and that would apply to periods relating to the issuer's deferred financial years – The issuer is an "investment company" as defined in Accounting Guideline 18 Investment Companies (AcG–18) in the Handbook of the Canadian Institute of Chartered Accountants – The Canadian Accounting Standards Board decided that investment companies, as defined in and applying AcG–18, will only be required to adopt IFRS for annual periods beginning on or after January 1, 2014 – Relief granted, subject to a number of conditions.

##### Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., s. 144.  
National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards, Parts 3 and 4  
National Instrument 51-102 Continuous Disclosure Obligations  
National Instrument 41-101 General Prospectus Requirements  
National Instrument 44-101 Short Form Prospectus Distributions  
National Instrument 44-102 Shelf Distributions  
National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings  
National Instrument 52-110 Audit Committees

December 20, 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  
CENTRAL GOLDTRUST  
(the "Filer")

DECISION

**Background**

The principal regulator in the Jurisdiction has received an application from the Filer under the securities legislation of the Jurisdiction of the principal regulator (the "**Legislation**") for a variation of a decision dated October 5, 2011 (the "**Prior Exemption Order**") which exempted the Filer from:

- (a) the requirements in Part 3 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* ("**NI 52-107**") that apply to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to the Filer's financial year beginning on January 1, 2011 and ending on December 31, 2011 and the Filer's financial year beginning on January 1, 2012 and ending on December 31, 2012 (the "**Filer's deferred financial years**"), including without limitation, the interim financial statements and associated management discussion and analysis of the Filer for the following periods: (i) the three month period ended March 31, 2012 filed on April 27, 2012; and (ii) the three month and six month periods ended June 30, 2012 filed on July 26, 2012 (together, the "**Interim Financial Statements**");
- (b) the amendments to National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**") related to International Financial Reporting Standards ("**IFRS**") that came into force on January 1, 2011 and that apply to documents required to be prepared, filed, delivered, or sent under NI 51-102 for periods relating to the Filer's deferred financial years;
- (c) the IFRS-related amendments to National Instrument 41-101 *General Prospectus Requirements* ("**NI 41-101**") that came into force on January 1, 2011 and that apply to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment

to a final prospectus of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;

- (d) the IFRS-related amendments to National Instrument 44-101 *Short Form Prospectus Distributions* ("**NI 44-101**") that came into force on January 1, 2011 and that apply to a preliminary short form prospectus, an amendment to a preliminary short form prospectus, a final short form prospectus or an amendment to a final short form prospectus of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;
- (e) the IFRS-related amendments to National Instrument 44-102 *Shelf Distributions* ("**NI 44-102**") that came into force on January 1, 2011 and that apply to a preliminary base shelf prospectus, an amendment to a preliminary base shelf prospectus, a base shelf prospectus, an amendment to a base shelf prospectus or a shelf prospectus supplement of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;
- (f) the IFRS-related amendments to National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**") that came into force on January 1, 2011 and that apply to annual filings and interim filings for periods relating to the Filer's deferred financial years; and
- (g) the IFRS-related amendments to National Instrument 52-110 *Audit Committees* ("**NI 52-110**") that came into force on January 1, 2011 and that apply to periods relating to the Filer's deferred financial years.

The Filer applies to the principal regulator for a variation of the Prior Exemption Order such that the Filer's deferred financial years be extended to include the Filer's financial year beginning January 1, 2013 and ending December 31, 2013 (the "**Variation 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 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 provinces and territories in Canada with the exception of Ontario.

## Interpretation

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

## Representations

This decision is based on the following facts represented by the Filer, in support of the Prior Exemption Order, that:

1. The Filer was established pursuant to a declaration of trust dated April 28, 2003, as amended and restated on April 24, 2008.
2. The Filer's registered and head office address is located at 55 Broad Leaf Crescent, Ancaster, Ontario, L9G 3P2.
3. The Filer is a reporting issuer in all provinces and territories in Canada and to its knowledge is not in default of securities legislation in any jurisdiction.
4. The Filer's trust units trade on the Toronto Stock Exchange under the symbols "GTU.UN" (Cdn. \$) and "GTU.U" (US \$) and on the NYSE MKT under the symbol "GTU".
5. The Filer's fiscal year end is December 31.
6. The Filer is an "investment company" as defined in Accounting Guideline 18 Investment Companies ("**AcG-18**") in the Handbook of the Canadian Institute of Chartered Accountants (the "**Handbook**"). As such, the Filer applies AcG-18 in the preparation of its financial statements in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**") for public enterprises.
7. The Filer is not an investment fund as that term is defined in the *Securities Act* (Ontario).
8. As part of the changeover to IFRS in Canada, the Canadian Accounting Standards Board ("**AcSB**") has incorporated IFRS into the Handbook as Canadian GAAP for most publicly accountable enterprises. As a result, the Handbook contains two sets of standards for public companies:
  - (a) Part 1 of the Handbook- Canadian GAAP for publicly accountable enterprises that applies for financial years beginning on or after January 1, 2011; and
  - (b) Part V of the Handbook- Canadian GAAP for public enterprises that is the pre-changeover accounting standards ("**pre-changeover Canadian GAAP**").
9. On October 1, 2010, the AcSB published amendments to Part 1 of the Handbook that provided a one-year deferral of the transition to

IFRS for investment companies. The amendments required investment companies, as defined in and applying AcG-18, to adopt IFRS for annual periods beginning on or after January 1, 2012. Subsequently, at its meeting on January 12, 2011, the AcSB decided to extend the deferral for an additional year. The AcSB amended Part 1 of the Handbook so that investment companies, as defined in and applying AcG-18, will only be required to adopt IFRS for annual periods beginning on or after January 1, 2013.

10. As part of the changeover to IFRS, NI 52-107 was repealed and replaced effective January 1, 2011. In the new version of NI 52-107,
  - (a) Part 3 contains requirements based on IFRS and applies to financial statements, financial information, operating statements and pro forma financial statements for periods relating to financial years beginning on or after January 1, 2011; and
  - (b) Part 4 contains requirements based on pre-changeover Canadian GAAP and applies to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to financial years beginning before January 1, 2011.
11. Also as part of the changeover to IFRS, IFRS-related amendments were made to NI 51-102, NI 41-101, NI 44-101, NI 44-102, NI 52-109 and NI 52-110 (collectively, the "Rules") and these amendments came into force on January 1, 2011. Among other things, the amendments replaced pre-changeover Canadian GAAP terms and phrases with IFRS terms and phrases and contain IFRS-specific requirements. The amendment instruments for the Rules contain transition provisions that provide that the IFRS-related amendments only apply to documents required to be filed under the Rules for periods relating to financial years beginning on or after January 1, 2011. Thus, during the IFRS transition period,
  - (a) issuers filing financial statements prepared in accordance with pre-changeover Canadian GAAP will be required to comply with the versions of the Rules that contain pre-changeover Canadian GAAP terms and phrases, and
  - (b) issuers filing financial statements that comply with IFRS will be required to comply with the version of the Rules that contain IFRS terms and phrases and IFRS-specific requirements.
12. On October 8, 2010, the Canadian Securities Administrators ("**CSA**") published CSA Staff

Notice 81-320 Update on International Financial Reporting Standards for Investment Funds which indicated that, given the October 1, 2010 amendments to the Handbook that provided for a deferral of the transition to IFRS for investment companies, the CSA would defer finalizing IFRS-related amendments to rules related to investment funds.

13. NI 52-107 and the Rules apply to the Filer. Since Part 3 of NI 52-107 and the IFRS-related amendments to the Rules do not have a provision providing for a two-year deferral of the transition to IFRS for investment companies subject to NI 52-107 and the Rules, the Filer applied for the original exemption granted in the Prior Exemption Order.
14. During the Filer's deferred financial years, the Filer has complied with, and continues to comply with, section 1.13 of Form 51-102F1 *Management's Discussion and Analysis* ("MD&A") by providing an updated discussion of the Filer's preparations for changeover to IFRS in its annual and interim MD&A. In particular, the Filer will discuss the expected effect on the financial statements, or state that the effect cannot be reasonably estimated.
15. The Interim Financial Statements were not prepared in accordance with IFRS pursuant to Part 3 of NI 52-107.

The Filer has represented the following additional facts in support of the Variation Sought:

16. Consistent with the terms of the Prior Exemption Order, for the years ended December 31, 2011 and for the current year ending December 31, 2012, the Applicant has applied, and continues to apply, AcG-18 in the preparation of its financial statements.
17. The AcSB has again deferred the transition to IFRS for investment companies. On February 29, 2012, the AcSB issued amendments to the CICA Handbook to further defer the adoption of IFRS by investment companies from January 1, 2013 to January 1, 2014.
18. On March 30, 2012, the CSA published a revised CSA Staff Notice which indicates that the CSA intend to defer the adoption of IFRS by investment funds under NI 81-106 until January 1, 2014.
19. The Filer acknowledges that if the Variation Sought is granted, the Filer:
  - (a) will be subject to Part 3 of NI 52-107 and the IFRS-related amendments to the Rules for periods relating to financial years beginning on or after January 1, 2014; and

- (b) will not have the benefit of the 30 day extension to the deadline of filing the first interim financial report in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011, as set out in the IFRS-related amendments to NI 51-102, since that extension does not apply if the first interim financial report is in respect of an interim period ending after March 30, 2012.

### Decision

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

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

1. the Filer continues to be an investment company, as defined in and applying AcG-18;
2. the Filer provides the communication as described and in the manner set out in paragraph 14 above;
3. the Filer complies with the requirements in Part 4 of NI 52-107 for all financial statements (including interim financial statements), financial information, operating statements and *pro forma* financial statements for periods relating to the Filer's deferred financial years, as if the expression "January 1, 2011" in subsection 4.1(2) were read as "January 1, 2014";
4. the Filer complies with the version of NI 51-102 that was in effect on December 31, 2010 (together with any amendments to NI 51-102 that are not related to IFRS and that come into force after January 1, 2011) for all documents required to be prepared, filed, delivered, or sent under NI 51-102 for periods relating to the Filer's deferred financial years;
5. the Filer complies with the version of NI 41-101 that was in effect on December 31, 2010 (together with any amendments to NI 41-101 that are not related to IFRS and that come into effect after January 1, 2011) for any preliminary prospectus, amendment to a preliminary prospectus, final prospectus or amendment to a final prospectus of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;
6. the Filer complies with the version of NI 44-101 that was in effect on December 31, 2010 (together with any amendments to NI 44-101 that are not related to IFRS and that come into effect after January 1, 2011) for any preliminary short form prospectus, amendment to a preliminary short form prospectus, final short form prospectus or

amendment to a final short form prospectus of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;

7. the Filer complies with the version of NI 44-102 that was in effect on December 31, 2010 (together with any amendments to NI 44-102 that are not related to IFRS and that come into effect after January 1, 2011) for any preliminary base shelf prospectus, amendment to a preliminary base shelf prospectus, base shelf prospectus, amendment to a base shelf prospectus or shelf prospectus supplement of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;
8. the Filer complies with the version of NI 52-109 that was in effect on December 31, 2010 (together with any amendments to NI 52-109 that are not related to IFRS and that come into effect after January 1, 2011) for all annual filings and interim filings for periods relating to the Filer's deferred financial years;
9. the Filer complies with the version of NI 52-110 that was in effect on December 31, 2010 (together with any amendments to NI 52-110 that are not related to IFRS and that come into effect after January 1, 2011) for periods relating to the Filer's deferred financial years;
10. if, notwithstanding this decision, the Filer decides not to rely on the Variation Sought and files an interim financial report prepared in accordance with IFRS for an interim period in a deferred financial year, the Filer must, at the same time:

- (a) restate, in accordance with IFRS, any interim financial statements for any previous interim period in the same deferred financial year (each, a "**Previous Interim Period**") that were originally prepared in accordance with pre-changeover Canadian GAAP and filed pursuant to this decision, and
- (b) file a restated interim financial report prepared in accordance with IFRS for each Previous Interim Period, together with corresponding restated interim MD&A and certificates required by NI 52-109. For greater certainty, any restated interim financial report for a Previous Interim Period must comply with applicable securities legislation (including Part 3 of NI 52-107 and the amendments to Part 4 of NI 51-102 that came into force on January 1, 2011) and any restated interim financial report for the

first interim period in the deferred financial year must include the opening IFRS statement of financial position at the date of transition to IFRS; and

11. if, notwithstanding this decision, the Filer decides not to rely on the Variation Sought and files annual financial statements prepared in accordance with IFRS for a deferred financial year, the Filer must, at the same time (unless previously done pursuant to paragraph 10 immediately above):
  - (a) estate, in accordance with IFRS, any interim financial statements for any Previous Interim Period that were originally prepared in accordance with pre-changeover Canadian GAAP and filed pursuant to this decision, and
  - (b) file a restated interim financial report prepared in accordance with IFRS for each Previous Interim Period, together with corresponding restated interim MD&A and certificates required by NI 52-109. For greater certainty, any restated interim financial report for a Previous Interim Period must comply with applicable securities legislation (including Part 3 of NI 52-107 and the amendments to Part 4 of NI 51-102 that came into force on January 1, 2011) and any restated interim financial report for the first interim period in the deferred financial year must include the opening IFRS statement of financial position at the date of transition to IFRS.

"Cameron McInnis"  
Chief Accountant  
Ontario Securities Commission

### 2.1.3 The Pallas Athena Corporation

#### Headnote

Multilateral Instrument 11-102 Passport System – National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – National Instrument 52-107 Acceptable Accounting Principles and Accounting Standards – Exemption granted from requirement to prepare financial statements in accordance with Canadian Generally Accepted Accounting Principles applicable to publicly accountable enterprises except that any investments in subsidiaries, jointly controlled entities and associates must be accounted for as specified for separate financial statements in International Accounting Standard 27 Consolidated and Separate Financial Statements – Exemption granted for fiscal years ending November 30, 2012 and November 30, 2013.

#### Applicable Legislative Provisions

Multilateral Instrument 11-102 Passport System, s. 4.7

National Instrument 14-101 Definitions

National Instrument 52-107 Acceptable Accounting Principles and Accounting Standards, ss. 3.2(3)

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions

January 9, 2013

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

**AND**

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

**AND**

**IN THE MATTER OF  
THE PALLAS ATHENA CORPORATION  
(the “Filer”)**

**DECISION**

#### BACKGROUND

The principal regulator in the Jurisdiction has received an application from the Filer (the **Application**) for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) for an exemption from the requirement of paragraph 3.2(3)(a) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (**NI 52-107**) that financial statements be prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) applicable to publicly accountable enterprises except that any investments in subsidiaries, jointly controlled entities and associates must be accounted for as specified for separate financial

statements in International Accounting Standard 27 Consolidated and Separate Financial Statements (**IAS 27**) for the Filer's fiscal years ending November 30, 2012 and November 30, 2013, so long as the Filer delivers to the regulator the annual audited financial statements prepared in accordance with Canadian GAAP applicable to private enterprises (the Exemption Sought).

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

- (a) the Ontario Securities Commission is the principal regulator for this application, and
- (b) the Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in Québec (the **Passport Jurisdictions**, and together with the Jurisdiction, the **Jurisdictions**).

#### INTERPRETATION

Terms defined in National Instrument 14-101 *Definitions*, NI 52-107, and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

#### REPRESENTATIONS

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

#### The Filer

1. The Filer is a corporation formed under the *Canada Business Corporations Act*. The Filer's head office is located in Ottawa, Ontario.
2. The Filer is registered in each Jurisdiction as an adviser in the category of portfolio manager (**PM**).
3. In 2004, the Filer established an Individual Pension Plan (IPP) for its President, James Lowry. The IPP is a retirement savings vehicle that will be wound up and transferred to a Locked-in Retirement Income Fund (**LRIF**) for Mr. Lowry when he reaches age 71.
4. Mr. Lowry is presently 69 years of age. The wind up of the IPP will occur in approximately two years or by December 31, 2014 which is the end of the calendar year when he reaches age 71.

#### Financial statements

5. The Filer is subject to the requirement of paragraph 3.2(3)(a) of NI 52-107 that financial statements be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises except that any investments in subsidiaries, jointly controlled entities and associates must be accounted for as specified for separate financial statements in IAS 27.

6. Canadian GAAP applicable to publicly accountable enterprises is International Financial Reporting Standards (IFRS).
7. The Filer's balance sheet includes the IPP as a non-current asset. The IPP will no longer form part of the Filer's financial statements upon Mr. Lowry becoming 71 years of age.
8. The accounting and reporting of an IPP under IFRS is set out in International Accounting Standard 26 Accounting and Reporting by Retirement Benefit Plans (IAS 26). The requirements of IAS 26 related to defined benefit plans are more robust and complex than those previously required under pre-changeover Canadian GAAP.
9. As a result of preparing the financial statements of the Filer under IFRS, the estimated audit and actuarial fees related to the IPP under IFRS are significantly higher than under pre-changeover Canadian GAAP.
10. Based on discussions with its auditor, the Filer estimates that its audit fees will double to approximately \$10,000 as a result of using IFRS. The significant increase is attributable to the requirements under IFRS related to the IPP.
11. Based on discussions with its actuary, the Filer estimates that its actuarial fees will be in the range of \$4,000 to \$5,000 as compared to \$900 in prior years as a result of the IFRS requirements relating to defined benefit pension plans.
12. The IPP does not form part of the calculation of excess working capital. Since the IPP is excluded from the current assets in the Form 31-103F1 *Calculation of Excess Working Capital (Form 31-103F1)*, requiring the Filer to prepare its financial statements under IFRS in accordance with paragraph 3.2(3)(a) of NI 52-107 would not result in any beneficial information for regulatory purposes.
13. The annual audited financial statements that the Filer has prepared using Canadian GAAP applicable to private enterprises provide sufficient information to allow the regulator to assess the Filer's solvency and capital adequacy. For the limited time period that the IPP remains the property of the Filer, it would be burdensome and costly for the Filer if it was required to prepare and file annual audited financial statements using IFRS.
14. The Exemption Sought by the Filer is only for its fiscal years ending November 30, 2012 and November 30, 2013. Thereafter, the IPP will be transferred to a personal LRIF and will have no bearing on the audit and actuarial expenses of the Filer.

15. The Filer has in the past, and intends to remain well above the minimum working capital requirements.

#### 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 auditor's report relating to the Filer's annual financial statements for the fiscal years ending November 30, 2012 and November 30, 2013 expresses an unmodified opinion that the financial statements are presented fairly, in all material respects, and in accordance with Canadian GAAP applicable to private enterprises.

"Marrianne Bridge"  
Deputy Director, Compliance & Registrant Regulation  
Ontario Securities Commission



December 20, 2012

## 2.1.4 Silver Bullion Trust

## Headnote

National Policy 11-203 Process For Exemptive Relief Applications in Multiple Jurisdictions – Securities Act (Ontario) – Application to vary a decision of the Commission – Reporting issuer seeking relief so that it can continue to file financial statements in accordance with old Canadian GAAP (rather than IFRS) – Issuer previously granted relief for periods relating to the Filer's financial year beginning on January 1, 2011 and ending on December 31, 2011 and the Filer's financial year beginning January 1, 2012 and ending December 31, 2012 (collectively, the issuer's deferred financial years) – Issuer applied for a variation to extend the issuers deferred financial years for one additional year to include the Filer's financial year beginning January 1, 2013 and ending on December 31, 2013 – In particular, the issuer is seeking relief from the requirements in Part 3 of National Instrument 52-107 that would apply to financial statements for periods relating to the issuer's deferred financial years - The issuer is also seeking relief from the IFRS-related amendments to the continuous disclosure, prospectus, certification and audit committee rules (collectively, the rules) that came into force on January 1, 2011 and that would apply to periods relating to the issuer's deferred financial years – The issuer is an "investment company" as defined in Accounting Guideline 18 Investment Companies (AcG-18) in the Handbook of the Canadian Institute of Chartered Accountants – The Canadian Accounting Standards Board decided that investment companies, as defined in and applying AcG-18, will only be required to adopt IFRS for annual periods beginning on or after January 1, 2014 – Relief granted, subject to a number of conditions.

## Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., s. 144.  
 National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards, Parts 3 and 4.  
 National Instrument 51-102 Continuous Disclosure Obligations.  
 National Instrument 41-101 General Prospectus Requirements.  
 National Instrument 44-101 Short Form Prospectus Distributions.  
 National Instrument 44-102 Shelf Distributions.  
 National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.  
 National Instrument 52-110 Audit Committees.

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  
 SILVER BULLION TRUST  
 (the "Filer")

DECISION

## Background

The principal regulator in the Jurisdiction has received an application from the Filer under the securities legislation of the Jurisdiction of the principal regulator (the "**Legislation**") for a variation of a decision dated November 4, 2011 (the "**Prior Exemption Order**") which exempted the Filer from:

- (a) the requirements in Part 3 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* ("**NI 52-107**") that apply to financial statements, financial information, operating statements and pro forma financial statements for periods relating to the Filer's financial year beginning on January 1, 2011 and ending on December 31, 2011 and the Filer's financial year beginning on January 1, 2012 and ending on December 31, 2012 (the "**Filer's deferred financial years**"), including without limitation, the interim financial statements and associated management discussion and analysis of the Filer for the following periods: (i) the three month period ended March 31, 2012 filed on April 27, 2012; and (ii) the three month and six month periods ended June 30, 2012 filed on July 26, 2012 (together, the "**Interim Financial Statements**");
- (b) the amendments to National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**") related to International Financial Reporting Standards ("**IFRS**") that came into force on January 1, 2011 and that apply to documents required to be prepared, filed, delivered, or sent under NI 51-102 for periods relating to the Filer's deferred financial years;
- (c) the IFRS-related amendments to National Instrument 41-101 *General Prospectus Requirements* ("**NI 41-101**") that came into force on January 1, 2011 and that apply to a preliminary prospectus, an amendment to a preliminary

prospectus, a final prospectus or an amendment to a final prospectus of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;

- (d) the IFRS-related amendments to National Instrument 44-101 *Short Form Prospectus Distributions* ("NI 44-101") that came into force on January 1, 2011 and that apply to a preliminary short form prospectus, an amendment to a preliminary short form prospectus, a final short form prospectus or an amendment to a final short form prospectus of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;
- (e) the IFRS-related amendments to National Instrument 44-102 *Shelf Distributions* ("NI 44-102") that came into force on January 1, 2011 and that apply to a preliminary base shelf prospectus, an amendment to a preliminary base shelf prospectus, a base shelf prospectus, an amendment to a base shelf prospectus or a shelf prospectus supplement of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;
- (f) the IFRS-related amendments to National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") that came into force on January 1, 2011 and that apply to annual filings and interim filings for periods relating to the Filer's deferred financial years; and
- (g) the IFRS-related amendments to National Instrument 52-110 *Audit Committees* ("NI 52-110") that came into force on January 1, 2011 and that apply to periods relating to the Filer's deferred financial years.

The Filer applies to the principal regulator for a variation of the Prior Exemption Order such that the Filer's deferred financial years be extended to include the Filer's financial year beginning January 1, 2013 and ending December 31, 2013 (the "**Variation 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 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 provinces and territories in Canada with the exception of Ontario.

## Interpretation

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

## Representations

This decision is based on the following facts represented by the Filer, in support of the Prior Exemption Order, that:

1. The Filer was established pursuant to a declaration of trust dated June 8, 2009, as amended and restated on July 9, 2009.
2. The Filer's registered and head office address is located at 55 Broad Leaf Crescent, Ancaster, Ontario, L9G 3P2.
3. The Filer is a reporting issuer in all provinces and territories in Canada and to its knowledge is not in default of securities legislation in any jurisdiction.
4. The Filer's trust units trade on the Toronto Stock Exchange under the symbols "SBT.UN" (Cdn. \$) and "SBT.U" (US \$).
5. The Filer's fiscal year end is December 31.
6. The Filer is an "investment company" as defined in Accounting Guideline 18 *Investment Companies* ("**AcG-18**") in the Handbook of the Canadian Institute of Chartered Accountants (the "**Handbook**"). As such, the Filer applies AcG-18 in the preparation of its financial statements in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**") for public enterprises.
7. The Filer is not an investment fund as that term is defined in the *Securities Act* (Ontario).
8. As part of the changeover to IFRS in Canada, the Canadian Accounting Standards Board ("**AcSB**") has incorporated IFRS into the Handbook as Canadian GAAP for most publicly accountable enterprises. As a result, the Handbook contains two sets of standards for public companies:
  - (a) Part 1 of the Handbook- Canadian GAAP for publicly accountable enterprises that applies for financial years beginning on or after January 1, 2011; and
  - (b) Part V of the Handbook- Canadian GAAP for public enterprises that is the pre-changeover accounting standards ("**pre-changeover Canadian GAAP**").
9. On October 1, 2010, the AcSB published amendments to Part 1 of the Handbook that provided a one-year deferral of the transition to IFRS for investment companies. The amendments

- required investment companies, as defined in and applying AcG-18, to adopt IFRS for annual periods beginning on or after January 1, 2012. Subsequently, at its meeting on January 12, 2011, the AcSB decided to extend the deferral for an additional year. The AcSB amended Part 1 of the Handbook so that investment companies, as defined in and applying AcG-18, will only be required to adopt IFRS for annual periods beginning on or after January 1, 2013.
10. As part of the changeover to IFRS, NI 52-107 was repealed and replaced effective January 1, 2011. In the new version of NI 52-107,
    - (a) Part 3 contains requirements based on IFRS and applies to financial statements, financial information, operating statements and pro forma financial statements for periods relating to financial years beginning on or after January 1, 2011; and
    - (b) Part 4 contains requirements based on pre-changeover Canadian GAAP and applies to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to financial years beginning before January 1, 2011.
  11. Also as part of the changeover to IFRS, IFRS-related amendments were made to NI 51-102, NI 41-101, NI 44-101, NI 44-102, NI 52-109 and NI 52-110 (collectively, the “**Rules**”) and these amendments came into force on January 1, 2011. Among other things, the amendments replaced pre-changeover Canadian GAAP terms and phrases with IFRS terms and phrases and contain IFRS-specific requirements. The amendment instruments for the Rules contain transition provisions that provide that the IFRS-related amendments only apply to documents required to be filed under the Rules for periods relating to financial years beginning on or after January 1, 2011. Thus, during the IFRS transition period,
    - (a) issuers filing financial statements prepared in accordance with pre-changeover Canadian GAAP will be required to comply with the versions of the Rules that contain pre-changeover Canadian GAAP terms and phrases, and
    - (b) issuers filing financial statements that comply with IFRS will be required to comply with the version of the Rules that contain IFRS terms and phrases and IFRS-specific requirements.
  12. On October 8, 2010, the Canadian Securities Administrators (“**CSA**”) published CSA Staff Notice 81-320 *Update on International Financial Reporting Standards for Investment Funds* which indicated that, given the October 1, 2010 amendments to the Handbook that provided for a deferral of the transition to IFRS for investment companies, the CSA would defer finalizing IFRS-related amendments to rules related to investment funds.
  13. NI 52-107 and the Rules apply to the Filer. Since Part 3 of NI 52-107 and the IFRS-related amendments to the Rules do not have a provision providing for a two-year deferral of the transition to IFRS for investment companies subject to NI 52-107 and the Rules, the Filer applied for the original exemption granted in the Prior Exemption Order.
  14. During the Filer's deferred financial years, the Filer has complied with, and continues to comply with, section 1.13 of Form 51-102F1 *Management's Discussion and Analysis* (“**MD&A**”) by providing an updated discussion of the Filer's preparations for changeover to IFRS in its annual and interim MD&A. In particular, the Filer will discuss the expected effect on the financial statements, or state that the effect cannot be reasonably estimated.
  15. The Interim Financial Statements were not prepared in accordance with IFRS pursuant to Part 3 of NI 52-107.
- The Filer has represented the following additional facts in support of the Variation Sought:
16. Consistent with the terms of the Prior Exemption Order, for the years ended December 31, 2011 and for the current year ending December 31, 2012, the Applicant has applied, and continues to apply, AcG-18 in the preparation of its financial statements.
  17. The AcSB has again deferred the transition to IFRS for investment companies. On February 29, 2012, the AcSB issued amendments to the CICA Handbook to further defer the adoption of IFRS by investment companies from January 1, 2013 to January 1, 2014.
  18. On March 30, 2012, the CSA published a revised CSA Staff Notice 81-320 (Revised) *Update on International Financial Reporting Standards for Investment Funds*, which indicates that the CSA intend to defer the adoption of IFRS by investment funds under NI 81-106 until January 1, 2014.
  19. The Filer acknowledges that if the Variation Sought is granted, the Filer:

- (a) will be subject to Part 3 of NI 52-107 and the IFRS-related amendments to the Rules for periods relating to financial years beginning on or after January 1, 2014; and
- (b) will not have the benefit of the 30 day extension to the deadline of filing the first interim financial report in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011, as set out in the IFRS-related amendments to NI 51-102, since that extension does not apply if the first interim financial report is in respect of an interim period ending after March 30, 2012.

### Decision

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

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

1. the Filer continues to be an investment company, as defined in and applying AcG-18;
2. the Filer provides the communication as described and in the manner set out in paragraph 14 above;
3. the Filer complies with the requirements in Part 4 of NI 52-107 for all financial statements (including interim financial statements), financial information, operating statements and *pro forma* financial statements for periods relating to the Filer's deferred financial years, as if the expression "January 1, 2011" in subsection 4.1(2) were read as "**January 1, 2014**";
4. the Filer complies with the version of NI 51-102 that was in effect on December 31, 2010 (together with any amendments to NI 51-102 that are not related to IFRS and that come into force after January 1, 2011) for all documents required to be prepared, filed, delivered, or sent under NI 51-102 for periods relating to the Filer's deferred financial years;
5. the Filer complies with the version of NI 41-101 that was in effect on December 31, 2010 (together with any amendments to NI 41-101 that are not related to IFRS and that come into effect after January 1, 2011) for any preliminary prospectus, amendment to a preliminary prospectus, final prospectus or amendment to a final prospectus of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;
6. the Filer complies with the version of NI 44-101 that was in effect on December 31, 2010 (together with any amendments to NI 44-101 that are not related to IFRS and that come into effect after January 1, 2011) for any preliminary short form prospectus, amendment to a preliminary short form prospectus, final short form prospectus or amendment to a final short form prospectus of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;
7. the Filer complies with the version of NI 44-102 that was in effect on December 31, 2010 (together with any amendments to NI 44-102 that are not related to IFRS and that come into effect after January 1, 2011) for any preliminary base shelf prospectus, amendment to a preliminary base shelf prospectus, base shelf prospectus, amendment to a base shelf prospectus or shelf prospectus supplement of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;
8. the Filer complies with the version of NI 52-109 that was in effect on December 31, 2010 (together with any amendments to NI 52-109 that are not related to IFRS and that come into effect after January 1, 2011) for all annual filings and interim filings for periods relating to the Filer's deferred financial years;
9. the Filer complies with the version of NI 52-110 that was in effect on December 31, 2010 (together with any amendments to NI 52-110 that are not related to IFRS and that come into effect after January 1, 2011) for periods relating to the Filer's deferred financial years;
10. if, notwithstanding this decision, the Filer decides not to rely on the Variation Sought and files an interim financial report prepared in accordance with IFRS for an interim period in a deferred financial year, the Filer must, at the same time:
  - (a) restate, in accordance with IFRS, any interim financial statements for any previous interim period in the same deferred financial year (each, a "**Previous Interim Period**") that were originally prepared in accordance with pre-changeover Canadian GAAP and filed pursuant to this decision, and
  - (b) file a restated interim financial report prepared in accordance with IFRS for each Previous Interim Period, together with corresponding restated interim MD&A and certificates required by NI 52-109. For greater certainty, any restated interim financial report for a Previous

Interim Period must comply with applicable securities legislation (including Part 3 of NI 52-107 and the amendments to Part 4 of NI 51-102 that came into force on January 1, 2011) and any restated interim financial report for the first interim period in the deferred financial year must include the opening IFRS statement of financial position at the date of transition to IFRS; and

11. if, notwithstanding this decision, the Filer decides not to rely on the Variation Sought and files annual financial statements prepared in accordance with IFRS for a deferred financial year, the Filer must, at the same time (unless previously done pursuant to paragraph 10 immediately above):
- (a) restate, in accordance with IFRS, any interim financial statements for any Previous Interim Period that were originally prepared in accordance with pre-changeover Canadian GAAP and filed pursuant to this decision, and
  - (b) file a restated interim financial report prepared in accordance with IFRS for each Previous Interim Period, together with corresponding restated interim MD&A and certificates required by NI 52-109. For greater certainty, any restated interim financial report for a Previous Interim Period must comply with applicable securities legislation (including Part 3 of NI 52-107 and the amendments to Part 4 of NI 51-102 that came into force on January 1, 2011) and any restated interim financial report for the first interim period in the deferred financial year must include the opening IFRS statement of financial position at the date of transition to IFRS.

“Cameron McInnis”  
Chief Accountant  
Ontario Securities Commission

## 2.1.5 IFM (US) Investment Advisor, LLC et al.

### Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from the mutual fund conflict of interest investment restrictions in ss. 111(2)(b) and 111(3) of the Securities Act (Ontario) to allow a pooled fund that is a "mutual fund in Ontario" and future related pooled funds established in Canada and under common management, to invest 100% of their assets in an underlying offshore entity – relief granted on conditions analogous to fund-of-fund structures, based on specific facts.

### Applicable Legislative Provisions

Securities Act (Ontario), R.S.O. 1990, c. S.5, as am., ss. 111(2)(b), 111(3) and 113.

January 8, 2013

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  
IFM (US) INVESTMENT ADVISOR, LLC AND  
IFM GLOBAL INFRASTRUCTURE (CANADA) G.P. INC.  
(the Filers)  
  
AND  
  
IN THE MATTER OF  
IFM GLOBAL INFRASTRUCTURE (CANADA) L.P.  
(the Fund)  
  
DECISION

### Background

The principal regulator in the Jurisdiction has received an application from the Filers, on behalf of the Fund, for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) that provisions of the Legislation that restrict a mutual fund from knowingly making and holding an investment in a person or company in which the mutual fund, alone or together with one or more related mutual funds, is a substantial security holder (the **Investment Restriction**) shall not apply to the Fund or to other mutual funds that are offered pursuant to a prospectus exemption, which are established by Industry Funds Management Pty Ltd. (IFM Ltd.) or an affiliate of IFM Ltd. from time to time, for the purpose of investing in IFM Global Infrastructure Fund, and managed by IFM (US) Investment Advisor, LLC or an affiliate (collectively, the **Exemption Sought**).

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

- (a) the Ontario Securities Commission is the principal regulator for this application; and
- (b) the Filer has provided notice that section 4.7(1) of Multilateral Ontario Securities Commission 11 102 *Passport System* (**MI 11 102**) is intended to be relied upon in Alberta (the **Non-Principal Jurisdiction**).

### Interpretation

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

## Representations

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

### *The Fund*

1. The Fund is a limited partnership established under the laws of Ontario.
2. The general partner of the Fund, IFM Global Infrastructure (Canada) G.P. Inc. (the General Partner), is a corporation established under the laws of British Columbia.
3. The Fund is not a reporting issuer within the meaning of applicable securities legislation in any jurisdiction of Canada. Securities of the Fund are sold in Canada pursuant to exemptions from the prospectus requirements in accordance with National Instrument 45-106 *Prospectus and Registration Exemptions* (**NI 45-106**).
4. The General Partner is not a reporting issuer within the meaning of applicable securities legislation in any jurisdiction of Canada.
5. The General Partner is a wholly-owned subsidiary of IFM Ltd. IFM Ltd. is wholly-owned by a group of Australian pension funds and is headquartered in Melbourne, Australia, with offices in Sydney as well as in London, United Kingdom, and New York, United States of America. IFM Ltd. and its affiliates develop and manage investment products across the asset classes of infrastructure, private equity, debt investments and listed equities for institutional investors around the world. As at March 31, 2012, IFM Ltd. and its affiliates managed approximately U.S. \$35 billion worldwide on behalf of institutional investors.
6. An affiliate of the General Partner, IFM (US) Investment Advisor, LLC (the **Affiliate**) is registered under applicable securities legislation in Ontario as an investment fund manager and as a dealer in the category of exempt market dealer in Ontario, Alberta and British Columbia.
7. The Affiliate will act as the investment fund manager of the Fund pursuant to a management agreement with the General Partner. The engagement of the Affiliate will be subject to the supervision, direction, oversight and review of the General Partner.
8. The Affiliate is organized under the laws of the State of Delaware and is registered as an investment adviser with the Securities Exchange Commission in the United States of America.
9. The Affiliate is a wholly-owned subsidiary of Industry Funds Management (US) LLC (**IFM US**), which in turn, is wholly-owned by IFM Ltd. IFM US provides back office and administration services to the Affiliate.
10. Neither the Fund, Future Canadian Fund, nor the Affiliate is in default of securities legislation in any jurisdiction of Canada. Neither the Affiliate nor IFM (US) is in default of securities legislation in the United States of America.

### *The Master Fund*

11. The exclusive purpose of the Fund is to act as a means for Canadian institutional investors to invest solely and exclusively in the units of a master infrastructure trust domiciled in the Cayman Islands, the IFM Global Infrastructure Fund (the **Master Fund**). The limited partnership agreement of the Fund requires that all proceeds received by the Fund in exchange for securities of the Fund are to be invested solely in the securities of the Master Fund. In this respect, investments by the Fund into the Master Fund use a fund-on-fund structure common to certain fund investments in the exempt market.
12. The Master Fund is not an 'investment fund' as defined under Canadian securities laws because it expects to exercise or seek control of its underlying assets or to become actively involved in the management of its investee companies or underlying assets by membership on the board of such companies or taking controlling equity positions in respect of the underlying infrastructure assets. The Master Fund invests in infrastructure assets and companies located around the world, with a focus on the developed economies of Europe and North America. Funds established for institutional investors in countries other than Canada (**Other Funds**) also invest in securities of the Master Fund. As at March 31, 2012, the Master Fund was valued at approximately \$3.8 billion. The Master Fund currently has one class/series of units outstanding.
13. Securities of the Master Fund are not offered for sale to the general public, but are offered, through investment in the Canadian Funds or the Other Funds, to institutional investors who typically conduct significant due diligence before making an investment. Financial information about the Master Fund, including its net asset value which is the basis for

the price of its securities, is provided to existing and potential investors primarily by way of offering memorandum and financial statements.

14. The Master Fund is managed by IFM Ltd.
15. From time to time IFM Ltd. or its affiliates may establish other mutual funds (the **Future Canadian Funds**) to enable Canadian institutional investors to invest in the Master Fund. The Fund and the Future Canadian Funds (collectively, the **Canadian Funds**) are or will be under common management as they will be managed by either the Affiliate or an affiliate of the Affiliate.
16. Similar to the Fund, the sole purpose of the Future Canadian Funds will to be enable Canadian institutional investors to invest solely and exclusively in the units of the Master Fund. IFM Ltd., as manager of the Master Fund, does not permit direct investment into the Master Fund.
17. Securities of the Canadian Funds are or will only be sold to accredited investors, as defined in NI 45-106. None of the Canadian Funds will be reporting issuers in Canada.
18. The Fund is a "mutual fund in Ontario" under the Legislation. The Future Canadian Funds will be mutual funds. The securities of each Canadian Fund are or will be sold in Canada pursuant to exemptions from the prospectus requirements in accordance with NI 45-106. Each Canadian Fund will not be involved in the management or operation of the Master Fund or the underlying investments of the Master Fund.
19. The value of the portfolio assets of the Master Fund is, and will continue to be, independently determined by internationally recognized accounting firms/and/or appraisal firms (the Independent Appraisers) who independently value the portfolio assets of the Master Fund on a quarterly basis. Such quarterly valuations may be refreshed by an Independent Appraiser within a quarter on the occurrence of a significant valuation event. The valuations of the Master Fund are disseminated to the Affiliate or General Partner on a quarterly basis.
20. The Independent Appraisers are rotated on three-year intervals. The auditor(s) of the Master Fund will not act as an Independent Appraiser.
21. Each Canadian Fund and each Other Fund will invest in the Master Fund at the net asset value of the Master Fund which is based on the valuation of the portfolio assets by the Independent Appraisers.

#### *The Investment Restriction*

22. The Investment Restriction in the Legislation would prohibit the Fund or a Future Canadian Fund from knowingly making and holding an investment in a person or company in which the mutual fund, alone or together with one or more related mutual funds, is a "substantial security holder" (as defined in the Legislation).
23. The Other Funds currently invest in the Master Fund and are under common management with management of the Filer. The Other Funds are not domiciled in Canada nor are they reporting issuers in Canada, but have been established by IFM Ltd. for investors around the world for the purpose of investing in the Master Fund. Each Other Fund is a mutual fund within the definition in the Act.
24. As a consequence of investments by the Canadian Funds in the Master Fund, a Canadian Fund, any combination of Canadian Funds, or any combination of Canadian Funds and Other Funds as a group, will be a "substantial security holder" (as defined in the Legislation) of the Master Fund. This is because each Canadian Fund, alone or in combination with other Canadian Funds or Other Funds, is expected to own more than 20% of the outstanding securities of the Master Fund.
25. The Filers are seeking relief from the Investment Restriction to permit the Fund, along with the Future Canadian Funds, to act as Canadian mutual funds devoted to investing solely in the Master Fund.
26. Securities of the Fund and the Future Canadian Funds are or will be valued and redeemable quarterly. Securities of the Master Fund are or will be valued and redeemable quarterly, subject to such valuation being refreshed by an Independent Appraiser within a quarter on the occurrence of a significant valuation event. The General Partner has discretion to limit or suspend redemptions of the Fund in the circumstances described in the Fund's offering memorandum.
27. The Fund and each Future Canadian Fund will have valuation and redemption dates which match the valuation and redemption dates of the Master Fund.



28. Offering memoranda will be produced for each of the Fund and each Future Canadian Fund. Pursuant to the Exemption Sought, each offering memorandum produced in respect of the Fund or a Future Canadian Fund will:
- (a) be provided to all investors of that fund; and
  - (b) disclose:
    - (i) that a Canadian Fund will solely purchase securities of the Master Fund;
    - (ii) that the Master Fund is managed by IFM Ltd. or an affiliate of IFM Ltd.;
    - (iii) that all of the net assets of the Canadian Fund will be invested in securities of the Master Fund;
    - (iv) the circumstances under which the General Partner in respect of the Fund, or the general partner of any Future Canadian Fund, has or will have discretion to limit or suspend redemptions from the Fund or Future Canadian Fund; and
    - (v) that investments by a Canadian Fund in the Master Fund should be considered as generally illiquid.
29. Securityholders of the Fund or a Future Canadian Fund have or will have access to copies of such fund's interim financial statements and audited annual financial statements. The financial statements of the Fund or each Future Canadian Fund will disclose its holdings of the securities of the Master Fund and the net asset value of the Master Fund.
30. Securityholders of the Fund or a Future Canadian Fund will receive, on request and free of charge, a copy of the most recent annual financial statement of the Master Fund and any interim financial statements of the Master Fund, after the date of its most recent annual financial statements.
31. An investment in the Master Fund by the Fund or a Future Canadian Fund will be made in such a manner as to avoid the duplication of management fees and incentive fees. No management or incentive fees will be paid by the Fund or a Future Canadian Fund.
32. No sales or redemption fees are, or will be, payable by the Fund or a Future Canadian Fund in relation to its purchase or redemption of securities of the Master Fund that, to a reasonable person, would duplicate a fee payable by an investor in the Fund or Future Canadian Fund.
33. The Fund or any Future Canadian Fund does not, and will not, vote the securities they hold of the Master Fund unless the Affiliate or an affiliate of the Affiliate, in its discretion and in its capacity as investment fund manager of the Fund or Future Canadian Fund, has sought and received instructions from the beneficial owners of securities of the Fund or Future Canadian Fund concerning how their proportionate number of securities of the Master Fund are to be voted and the securities of the Master Fund are voted in accordance with such instructions.
34. In the absence of the Exemption Sought, the Fund or a Future Canadian Fund would be precluded from purchasing or holding securities of the Master Fund due to the Investment Restriction.
35. The Filers submit that the investment in securities of the Master Fund by the Fund or the Future Canadian Funds, constitute a class of investment that represents the business judgment of responsible persons uninfluenced by considerations other than the best interest of the Canadian Funds since the sole purpose of the Canadian Funds is to enable Canadian institutional investors to invest in the Master Fund. Such purpose will be clearly disclosed to prospective investors in each Fund's offering memorandum.

**Decision**

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

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

- (a) securities of the Canadian Funds are sold in Canada solely pursuant to exemptions from the prospectus requirements in accordance with NI 45-106;
- (b) no management or incentive fees are payable by a Canadian Fund that, to a reasonable person, would duplicate a fee payable by the Master Fund for the same service;

- (c) no sales or redemption fees are, or will be payable by a Canadian Fund in relation to its purchase or redemption of securities of the Master Fund, that to a reasonable person, would duplicate a fee payable by an investor in the Canadian Fund;
- (d) a Canadian Fund will not vote the securities it holds of the Master Fund unless the Affiliate or an affiliate of the Affiliate, in its capacity as investment fund manager of the Canadian Fund and in its discretion, has sought and received instructions from the beneficial owners of securities of the Canadian Fund concerning how their proportionate number of securities of the Master Fund are to be voted and the securities of the Master Fund are voted in accordance with such instructions;
- (e) the offering memorandum of a Canadian Fund will disclose:
  - (i) that a Canadian Fund will solely purchase securities of the Master Fund;
  - (ii) that the Master Fund is managed by IFM Ltd. or an affiliate of IFM Ltd.;
  - (iii) that all of the net assets of the Canadian Fund will be invested in securities of the Master Fund;
  - (iv) the circumstances under which the General Partner in respect of the Fund, or the general partner of any Future Canadian Fund, has or will have discretion to limit or suspend redemptions from the Fund or Future Canadian Fund; and
  - (v) that investments by a Canadian Fund in the Master Fund should be considered as generally illiquid;
- (f) each Canadian Fund and each Other Fund will invest in the Master Fund at the net asset value of the Master Fund which is based on the valuation of the portfolio assets by the Independent Appraisers;
- (g) any investment in the Master Fund occurs only through the Canadian Funds and/or the Other Funds; and
- (h) direct investments in the Master Fund are not permitted.

“James E.A. Turner”  
Vice-Chair  
Ontario Securities Commission

“Christopher Portner”  
Commissioner  
Ontario Securities Commission

## 2.1.6 Central Fund of Canada Limited

### Headnote

National Policy 11-203 Process For Exemptive Relief Applications in Multiple Jurisdictions – Reporting issuer seeking relief so that it can continue to file financial statements in accordance with pre-changeover Canadian GAAP (rather than IFRS) for periods relating to the issuer's financial year beginning on November 1, 2013 and ending on October 31, 2014 (the issuer's deferred financial year) – In particular, the issuer is seeking relief from the requirements in Part 3 of National Instrument 52-107 that would apply to financial statements for periods relating to the issuer's deferred financial year – The issuer is also seeking relief from the IFRS-related amendments to the continuous disclosure, prospectus, certification and audit committee rules (collectively, the rules) that came into force on January 1, 2011 and that would apply to periods relating to the issuer's deferred financial year – The issuer is an "rate regulated entity" as defined in Accounting Guideline 19 Disclosures by entities subject to rate regulation (AcG-19) in the Handbook of the Canadian Institute of Chartered Accountants – At its meeting on September 2012, the Canadian Accounting Standards Board decided that rate regulated entities, as defined in and applying AcG-19, will only be required to adopt IFRS for annual periods beginning on or after January 1, 2014 – Since Part 3 of NI 52-107 and the IFRS-related amendments to the rules do not have a provision providing for a three-year deferral of the transition to IFRS for entities with rate-regulated activities subject to NI 52-107 and the rules, the issuer has applied for the relief – Relief granted, subject to a number of conditions.

### Applicable Legislative Provisions

National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards, Parts 3 and 4.  
National Instrument 51-102 Continuous Disclosure Obligations  
National Instrument 41-101 General Prospectus Requirements  
National Instrument 44-101 Short Form Prospectus Distributions  
National Instrument 44-102 Shelf Distributions  
National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings  
National Instrument 52-110 Audit Committees

Citation: Central Fund of Canada Limited, Re, 2013 ABASC 8

January 10, 2013

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  
CENTRAL FUND OF CANADA LIMITED  
(the Filer)  
  
DECISION

### Background

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

- (a) the requirements in Part 3 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (**NI 52-107**) that apply to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to the Filer's financial year beginning on November 1, 2013 and ending on October 31, 2014 (the Filer's deferred financial years), including without limitation, the interim financial statements and associated management discussion and analysis of the Filer (together, the **Interim Financial Statements**);

- (b) the amendments to National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**) related to International Financial Reporting Standards (IFRS) that came into force on January 1, 2011 and that apply to documents required to be prepared, filed, delivered, or sent under NI 51-102 for periods relating to the Filer's deferred financial years;
- (c) the IFRS-related amendments to National Instrument 41-101 *General Prospectus Requirements* (**NI 41-101**) that came into force on January 1, 2011 and that apply to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;
- (d) the IFRS-related amendments to National Instrument 44-101 *Short Form Prospectus Distributions* (**NI 44-101**) that came into force on January 1, 2011 and that apply to a preliminary short form prospectus, an amendment to a preliminary short form prospectus, a final short form prospectus or an amendment to a final short form prospectus of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;
- (e) the IFRS-related amendments to National Instrument 44-102 *Shelf Distributions* (**NI 44-102**) that came into force on January 1, 2011 and that apply to a preliminary base shelf prospectus, an amendment to a preliminary base shelf prospectus, a base shelf prospectus, an amendment to a base shelf prospectus or a shelf prospectus supplement of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;
- (f) the IFRS-related amendments to National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (**NI 52-109**) that came into force on January 1, 2011 and that apply to annual filings and interim filings for periods relating to the Filer's deferred financial years; and
- (g) the IFRS-related amendments to National Instrument 52-110 *Audit Committees* (**NI 52-110**) that came into force on January 1, 2011 and that apply to periods relating to the Filer's deferred financial years.

(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 the 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 all provinces and territories in Canada with the exception of Ontario; 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 was incorporated under the laws of the Province of Ontario in November 1961 and continued into the Province of Alberta on April 5, 1990.
2. The Filer's registered and head office address is located at 1323 15th Avenue S.W., Suite 805, Calgary, Alberta, T3C 0X8.
3. The Filer is a reporting issuer in all provinces and territories in Canada and to its knowledge is not in default of securities legislation in any jurisdiction.
4. The Filer's Class A non-voting, fully participating shares trade on the Toronto Stock Exchange under the symbols "CEF.A" (Cdn. \$) and "CEF.U" (US \$).
5. The Filer's fiscal year end is October 31.

6. The Filer is an “investment company” as defined in Accounting Guideline 18 Investment Companies (**AcG-18**) in the Handbook (the Handbook) of the Canadian Institute of Chartered Accountants (CICA). As such, the Filer applies AcG-18 in the preparation of its financial statements in accordance with Canadian generally accepted accounting principles (Canadian GAAP) for public enterprises.
7. The Filer is not an investment fund as that term is defined in the *Securities Act* (Ontario).
8. As part of the changeover to IFRS in Canada, the Canadian Accounting Standards Board (the **AcSB**) has incorporated IFRS into the Handbook as Canadian GAAP for most publicly accountable enterprises. As a result, the Handbook contains two sets of standards for public companies:
  - (a) Part 1 of the Handbook – Canadian GAAP for publicly accountable enterprises that applies for financial years beginning on or after January 1, 2011; and
  - (b) Part V of the Handbook – Canadian GAAP for public enterprises that is the pre-changeover accounting standards (old Canadian GAAP).
9. However, on October 1, 2010, the AcSB published amendments to Part 1 of the Handbook that provide a one-year deferral of the transition to IFRS for investment companies. The amendments require investment companies, as defined in and applying AcG-18, to adopt IFRS for annual periods beginning on or after January 1, 2012. Subsequently, the AcSB extended the deferral for an additional year, such that investment companies, as defined in and applying AcG-18, are only required to adopt IFRS for annual periods beginning on or after January 1, 2013. On February 29, 2012, the deferral was extended for a third time by amendments to Part I of the Handbook issued by the AcSB requiring investment companies, as defined in and applying AcG-18, to adopt IFRS for annual periods beginning on or after January 1, 2014.
10. As part of the changeover to IFRS, NI 52-107 was repealed and replaced effective January 1, 2011. In the new version of NI 52-107:
  - (a) Part 3 contains requirements based on IFRS and applies to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to financial years beginning on or after January 1, 2011; and
  - (b) Part 4 contains requirements based on old Canadian GAAP and applies to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to financial years beginning before January 1, 2011.
11. Also as part of the changeover to IFRS, IFRS-related amendments were made to NI 51-102, NI 41-101, NI 44-101, NI 44-102, NI 52-109 and NI 52-110 (collectively, the **Rules**) and these amendments came into force on January 1, 2011. Among other things, the amendments replace old Canadian GAAP terms and phrases with IFRS terms and phrases and contain IFRS-specific requirements. The amendment instruments for the Rules contain transition provisions that provide that the IFRS-related amendments only apply to documents required to be filed under the Rules for periods relating to financial years beginning on or after January 1, 2011. Thus, during the IFRS transition period:
  - (a) issuers filing financial statements prepared in accordance with old Canadian GAAP will be required to comply with the versions of the Rules that contain old Canadian GAAP terms and phrases: and
  - (b) issuers filing financial statements that comply with IFRS will be required to comply with the versions of the Rules that contain IFRS terms and phrases and IFRS-specific requirements.
12. On October 8, 2010, the Canadian Securities Administrators (**CSA**) published CSA Staff Notice 81-320 *Update on International Financial Reporting Standards for Investment Funds*, as revised on March 23, 2011 and March 30, 2012, which indicated that, given the October 1, 2010, March 2011 and February 29, 2012 amendments to the Handbook that provided for a deferral of the transition to IFRS for investment companies, the CSA would defer finalizing IFRS-related amendments to rules related to investment funds, with the stated goal of having the necessary IFRS related amendments for investment funds in force by January 1, 2014.
13. NI 52-107 and the Rules apply to the Filer. Since Part 3 of NI 52-107 and the IFRS-related amendments to the Rules do not have a provision providing for a two-year deferral of the transition to IFRS for investment companies subject to NI 52-107 and the Rules, the Filer has applied for the Exemption Sought.
14. During the Filer's deferred financial years, the Filer will comply with section 1.13 of Form 51-102F1 Management's Discussion and Analysis (**MD&A**) by providing an updated discussion of the Filer's preparations for changeover to

IFRS in its annual and interim MD&A. In particular, the Filer will discuss the expected effect on the financial statements, or state that the effect cannot be reasonably estimated.

15. The Filer acknowledges that if the Exemption Sought is granted, the Filer:
- (a) will be subject to Part 3 of NI 52-107 and the IFRS-related amendments to the Rules for periods relating to financial years beginning on or after January 1, 2014; and
  - (b) will not have the benefit of the 30 day extension to the deadline of filing the first interim financial report in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2014, as set out in the IFRS-related amendments to NI 51-102, since that extension does not apply if the first interim financial report is in respect of an interim period ending after March 30, 2014.

### **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.

1. The decision of the principal regulator under the Legislation is that the Exemption Sought is granted provided that:
- (a) the Filer continues to be an investment company, as defined in and applying AcG-18;
  - (b) the Filer provides the communication as described and in the manner set out in paragraph 14 above;
  - (c) the Filer complies with the requirements in Part 4 of NI 52-107 for all financial statements (including interim financial statements), financial information, operating statements and *pro forma* financial statements for periods relating to the Filer's deferred financial years, as if the expression "January 1, 2011" in subsection 4.1(2) were read as "January 1, 2014";
  - (d) the Filer complies with the version of NI 51-102 that was in effect on December 31, 2010 (together with any amendments to NI 51-102 that are not related to IFRS and that come into force after January 1, 2011) for all documents required to be prepared, filed, delivered, or sent under NI 51-102 for periods relating to the Filer's deferred financial years;
  - (e) the Filer complies with the version of NI 41-101 that was in effect on December 31, 2010 (together with any amendments to NI 41-101 that are not related to IFRS and that come into effect after January 1, 2011) for any preliminary prospectus, amendment to a preliminary prospectus, final prospectus or amendment to a final prospectus of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;
  - (f) the Filer complies with the version of NI 44-101 that was in effect on December 31, 2010 (together with any amendments to NI 44-101 that are not related to IFRS and that come into effect after January 1, 2011) for any preliminary short form prospectus, amendment to a preliminary short form prospectus, final short form prospectus or amendment to a final short form prospectus of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;
  - (g) the Filer complies with the version of NI 44-102 that was in effect on December 31, 2010 (together with any amendments to NI 44-102 that are not related to IFRS and that come into effect after January 1, 2011) for any preliminary base shelf prospectus, amendment to a preliminary base shelf prospectus, base shelf prospectus, amendment to a base shelf prospectus or shelf prospectus supplement of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;
  - (h) the Filer complies with the version of NI 52-109 that was in effect on December 31, 2010 (together with any amendments to NI 52-109 that are not related to IFRS and that come into effect after January 1, 2011) for all annual filings and interim filings for periods relating to the Filer's deferred financial years;
  - (i) the Filer complies with the version of NI 52-110 that was in effect on December 31, 2010 (together with any amendments to NI 52-110 that are not related to IFRS and that come into effect after January 1, 2011) for periods relating to the Filer's deferred financial years;
  - (j) if, notwithstanding this decision, the Filer decides not to rely on the Exemption Sought and files an interim financial report prepared in accordance with IFRS for an interim period in a deferred financial year, the Filer must, at the same time:

- (i) restate, in accordance with IFRS, any interim financial statements for any previous interim period in the same deferred financial year (each, a **Previous Interim Period**) that were originally prepared in accordance with old Canadian GAAP and filed pursuant to this decision; and
  - (ii) file a restated interim financial report prepared in accordance with IFRS for each Previous Interim Period, together with corresponding restated interim MD&A and certificates required by NI 52-109. For greater certainty, any restated interim financial report for a Previous Interim Period must comply with applicable securities legislation (including Part 3 of NI 52-107 and the amendments to Part 4 of NI 51-102 that came into force on January 1, 2011) and any restated interim financial report for the first interim period in the deferred financial year must include the opening IFRS statement of financial position at the date of transition to IFRS; and
- (k) if, notwithstanding this decision, the Filer decides not to rely on the Exemption Sought and files annual financial statements prepared in accordance with IFRS for a deferred financial year, the Filer must, at the same time (unless previously done pursuant to paragraph 10 immediately above):
- (i) restate, in accordance with IFRS, any interim financial statements for any Previous Interim Period that were originally prepared in accordance with old Canadian GAAP and filed pursuant to this decision; and
  - (ii) file a restated interim financial report prepared in accordance with IFRS for each Previous Interim Period, together with corresponding restated interim MD&A and certificates required by NI 52-109. For greater certainty, any restated interim financial report for a Previous Period must comply with applicable securities legislation (including Part 3 of NI 52-107 and the amendments to Part 4 of NI 51-102 that came into force on January 1, 2011) and any restated interim financial report for the first interim period in the deferred financial year must include the opening IFRS statement of financial position at the date of transition to IFRS.

Blaine Young  
Associate Director, Corporate Finance  
Alberta Securities Commission

## 2.1.7 Primaris Retail Real Estate Investment Trust and KS Acquisition II LP

### Headnote

National Policy 11-203 Process For Exemptive Relief Applications in Multiple Jurisdictions – Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions – Take-over bid and subsequent business combination – MI 61-101 requires sending of information circular and holding of meeting in connection with second step business combination – Target's declaration of trust to be amended to provide that a resolution in writing executed by unitholders holding more than 66 2/3% of the outstanding units valid as if such voting rights had been exercised at a meeting of unitholders – Relief granted from requirement that information circular be sent and meeting be held – Minority approval to be obtained albeit in writing rather than at a meeting of unitholders.

### Applicable Legislative Provisions

National Policy 11-203 – Process for Exemptive Relief Applications in Multiple Jurisdiction.  
Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions.

January 11, 2013

IN THE MATTER OF  
THE SECURITIES LEGISLATION OF ONTARIO

AND

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

AND

IN THE MATTER OF  
THE TAKE-OVER BID FOR  
PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST  
BY KS ACQUISITION II LP

DECISION

### Background

The principal regulator (the “**Decision Maker**”) in Ontario (the “**Jurisdiction**”) has received an application from KS Acquisition II LP (the “**Filer**”) in connection with a take-over bid (the “**Take-Over Bid**”) for Primaris Retail Real Estate Investment Trust (“**Primaris**”) by the Filer for a decision pursuant to the securities legislation of the Jurisdiction (the “**Legislation**”) that the following requirements of Section 4.2 of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”) (where applicable):

1. to call a meeting of unitholders of Primaris (“**Unitholders**”) to approve a Compulsory Acquisition or a Subsequent Acquisition Transaction (each as defined below), as applicable, but rather that the Filer be permitted to effect the Unitholder approvals of either a Compulsory Acquisition or a Subsequent Acquisition Transaction, as may be undertaken by the Filer in accordance with the foregoing, including the Notice Amendment, the Threshold Amendment and the Capital Reorganization (each as defined below), as applicable, by way of the Written Resolution (as defined below), as expressly permitted by Sections 8.14 and 8.16 of the sixth amended and restated declaration of trust of Primaris (the “**Declaration of Trust**”); and
2. to send an information circular to Unitholders in connection with a Compulsory Acquisition or a Subsequent Acquisition Transaction, as may be undertaken by the Filer in accordance with the foregoing, including the Notice Amendment, the Threshold Amendment and the Capital Reorganization, as applicable;

be waived (the “**Requested Relief**”).

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

- (a) the Ontario Securities Commission (“**OSC**”) is the principal regulator for this application; and



- (b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 – *Passport System* (“**MI 11-102**”) is intended to be relied upon in the Province of Québec.

### Interpretation

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

### Representations

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

1. The Filer is a limited partnership whose partnership interests are owned equally by KS Bidco LP, a wholly-owned subsidiary of KingSett Real Estate Growth LP No. 5 (“**KingSett LP No. 5**”), an affiliate of KingSett Capital Inc. (“**KingSett Capital**”), and OPB Finance Trust II (“**OPB Trust**”), an associate of Ontario Pension Board (“**OPB**”). The Filer was formed under the *Limited Partnerships Act* (Ontario) and has not carried on any business other than that incidental to making the Take-Over Bid. The Filer’s registered office is located at Toronto-Dominion Centre, TD Tower, 66 Wellington Street West, P.O. Box 163, Suite 4400, Toronto, Ontario M5K 1H6.
2. KingSett LP No. 5 is a private investment fund formed under the laws of Manitoba. Its sole general partner, KingSett Real Estate Growth GP No. 5 Inc., is a corporation incorporated under the *Canada Business Corporations Act* and is an affiliate of KingSett Capital.
3. KingSett Capital is a leading private equity real estate investment business, co-investing with pension fund and high net worth individual clients.
4. OPB Trust is a special purpose trust formed for purposes of the Take-Over Bid. The sole beneficiary of OPB Trust is OPB Real Estate Investments 2 Limited, a corporation incorporated under the Business Corporations Act (Ontario) and a wholly-owned subsidiary of OPB. OPB is the administrator of the Ontario Public Service Pension Plan and is responsible for providing retirement income to more than 42,711 employees of the government of the Province of Ontario and its agencies, boards and commissions, 35,361 retired employees of the Province of Ontario and their families and 4,391 former employees of the Province of Ontario with entitlements under the Ontario Public Service Pension Plan.
5. Primaris is an unincorporated open-ended real estate investment trust governed by the Declaration of Trust. The head and registered office of Primaris is located at Suite 900, 1 Adelaide Street East, Toronto, Ontario M5C 2V9. Primaris specializes in owning and operating Canadian enclosed shopping centres.
6. The authorized capital of Primaris consists of an unlimited number of units (the “**Units**”). As at September 30, 2012, 92,899,547 Units were outstanding. The Units are listed for trading on the Toronto Stock Exchange under the symbol “PMZ.UN”.
7. On December 5, 2012, prior to the opening of markets, KingSett Capital and OPB issued a press release announcing their intention to make the Take-Over Bid through the Filer.
8. On December 10, 2012, the Take-Over Bid was formally commenced by publication of an advertisement in *The Globe & Mail* and *La Presse* newspapers.
9. On December 10, 2012, a copy of the take-over bid circular (the “**Circular**”), the letter of transmittal, and the notice of guaranteed delivery relating to the Take-Over Bid (collectively, the “**Offer Documents**”) were delivered to Primaris at its principal office, and the Offer Documents were filed in SEDAR, all in accordance with Section 94.2(2)(a) of the *Securities Act* (Ontario) and Section 2.10(2)(a) of Multilateral Instrument 62-104.
10. The Take-Over Bid includes the following terms and conditions:
  - (a) the Filer has offered to acquire all of the issued and outstanding Units (together with the rights associated therewith under the unitholder rights plan of Primaris) at a price of \$26.00 in cash per Unit, including any Units that may become issued and outstanding after the date of the Take-Over Bid but before the Expiry Time (as defined below) upon the conversion, exercise or exchange of any securities that are convertible into or exchangeable or exercisable for, Units;
  - (b) the Take-Over Bid is open for acceptance until 5:00 p.m. (Toronto time) on January 17, 2013, unless the Take-Over Bid is extended or withdrawn (the “**Expiry Time**”);

- (c) there shall have been validly deposited pursuant to the Take-Over Bid and not withdrawn at the Expiry Time, such number of Units which, together with any Units owned directly or indirectly by the Filer and its affiliates, constitutes at least 66% of the outstanding Units (calculated on a fully-diluted basis) (the “**Minimum Tender Condition**”); and
  - (d) if the Filer takes up and pays for Units deposited under the Take-Over Bid, the Filer currently intends to carry out a compulsory acquisition or a subsequent acquisition transaction to acquire all of the Units not deposited under the Take-Over Bid, as more particularly described below.
- 11. Section 7.26 of the Declaration of Trust permits an offeror to acquire any Units not tendered to a take-over bid if, within 120 days after the date of a take-over bid, the take-over bid is accepted by the holders of not less than 90% of the outstanding Units, other than Units held at the date of the take-over bid by or on behalf of the offeror or an affiliate or associate of the offeror (a “**Compulsory Acquisition**”).
- 12. If the Filer takes up and pays for the Units deposited pursuant to the Take-Over Bid, the Filer may proceed with a Compulsory Acquisition of the Units not deposited to the Take-Over Bid as expressly permitted under the Declaration of Trust.
- 13. If a Compulsory Acquisition, as permitted under the Declaration of Trust, is not available to the Filer or if the Filer chooses not to proceed under those provisions, the Filer currently intends to:
  - (a) amend Section 7.26 of the Declaration of Trust to provide that a Compulsory Acquisition may be effected immediately if the Filer and its affiliates, after the take-up and payment of Units deposited under the Take-Over Bid, hold more than 66% of the outstanding Units (calculated on a fully-diluted basis) (the “**Threshold Amendment**”); and/or
  - (b) amend the Declaration of Trust to change the rights, privileges, restrictions and conditions attaching to the Units (other than Units held by the Filer and its affiliates) and redesignate and reclassify such Units as special units (“**Special Units**”) such that, at the time of delivery by Primaris of a transfer notice to Primaris’ transfer agent (the “**Transfer Time**”) and immediately following any issuance of Special Units at and after the Transfer Time, each holder of Special Units shall transfer, and shall be deemed to have transferred, to the Filer all of such holder’s right, title and interest in and to its Special Units and the Filer shall acquire, and shall be deemed to have acquired, from each such holder of Special Units all, but not less than all, of the Special Units held by each such holder and at and after the Transfer Time, each holder of Special Units shall cease to be a holder of such Special Units and shall not be entitled to exercise any of the rights of a holder of Special Units in respect thereof other than the right to receive \$26.00 in cash per Special Unit (such amendments to the Declaration of Trust and transfer of Special Units as a result thereof, the “**Capital Reorganization**”).
- 14. Following such amendments to the Declaration of Trust, it is the current intention of the Filer to avail itself of the Compulsory Acquisition, as amended by the Threshold Amendment, or the Capital Reorganization, as the case may be, to acquire the Units not deposited under the Take-Over Bid (each of the Compulsory Acquisition, as so amended, and the Capital Reorganization, as applicable, is referred to herein as a “**Subsequent Acquisition Transaction**”). If the Filer elects to proceed with a Subsequent Acquisition Transaction, the consideration payable to acquire the remainder of the Units will be the same consideration per Unit payable by the Filer under the Take-Over Bid.
- 15. To exercise its rights in respect of a Compulsory Acquisition under Section 7.26 of the Declaration of Trust, the Filer must send notice (the “**Offeror’s Notice**”) to each holder of Units who did not accept the Take-Over Bid (in each case a “**Dissenting Unitholder**”) of such proposed acquisition by registered mail within 60 days after the date of termination of the Take-Over Bid and in any event within 180 days after the date of the Take-Over Bid. In accordance with the Declaration of Trust, within 20 days after it receives the Offeror’s Notice, each Dissenting Unitholder must send its Units to Primaris. Within 30 days after the Offeror sends the Offeror’s Notice, Primaris must transfer the Units of the Dissenting Unitholders to the Offeror.
- 16. In connection with either a Compulsory Acquisition or a Subsequent Acquisition Transaction, the Filer currently intends to amend the provisions of Section 7.26 of the Declaration of Trust to provide that Units held by Dissenting Unitholders will be deemed to have been transferred to the Filer immediately on the giving of the Offeror’s Notice (as opposed to within the 30 day period after the Filer sends the Offeror’s Notice, as currently provided in the Declaration of Trust) and that those Dissenting Unitholders will cease to have any rights as Unitholders from and after that time, other than the right to be paid the same consideration that the Filer would have paid to Dissenting Unitholders if they had deposited those Units to the Take-Over Bid (the “**Notice Amendment**”).
- 17. In order to effect either a Compulsory Acquisition, if available and if the Filer elects to proceed thereunder, or a Subsequent Acquisition Transaction in accordance with the foregoing, rather than seeking Unitholder approval at a

special meeting of the Unitholders to be called for such purpose, the Filer intends to rely on Sections 8.14 and 8.16 of the Declaration of Trust, which together expressly provide that a resolution in writing executed by Unitholders and holders of Special Voting Units (together, the **"Voting Unitholders"**) holding outstanding Units and Special Voting Units equal to 66% of the outstanding votes is valid as if it had been passed at a meeting of Voting Unitholders.

18. A Compulsory Acquisition or Subsequent Acquisition Transaction undertaken by the Filer would be a "business combination" pursuant to MI 61-101.
19. Notwithstanding the fact that Sections 8.14 and 8.16 of the Declaration of Trust expressly provide for a written resolution of Voting Unitholders, Section 4.2 of MI 61-101 may require, in certain circumstances, that the Compulsory Acquisition or Subsequent Acquisition Transaction be approved at a meeting of Unitholders called for that purpose.
20. To effect either a Compulsory Acquisition or Subsequent Acquisition Transaction, as applicable, the Filer will comply with the provisions of MI 61-101 and will obtain minority approval (as that term is defined in MI 61-101), calculated in accordance with the terms of Part 8 of MI 61-101 (the **"Minority Approval"**), albeit not at a meeting of Unitholders, but by Written Resolution.
21. If the Filer is unable to effect a Compulsory Acquisition or to propose a Subsequent Acquisition Transaction involving Primaris, or if it proposes a Subsequent Acquisition Transaction but cannot promptly obtain any required approvals or exemptions, the Filer will evaluate its other alternatives. Such alternatives could include, to the extent permitted by applicable law, purchasing additional Units in the open market, in privately negotiated transactions, in another take-over bid or otherwise, or taking no further action.
22. The details of any Subsequent Acquisition Transaction may vary, and the Filer has reserved its ability to propose any other form of subsequent acquisition transaction in accordance with applicable law.
23. Neither the Filer nor, to the knowledge of the Filer, Primaris is in default of any requirement under applicable securities laws in any province or territory of Canada.
24. The Circular contains the disclosure required by MI 61-101 to be included in connection with the Take-Over Bid, including without limitation the take-over bid provisions and form requirements of the securities legislation in the Jurisdiction and the provisions of MI 61-101 relating to the disclosure required to be included in a take-over bid circular.
25. The Circular contains the text of the Written Resolution.

### Decision

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

The decision of the Decision Maker under the Legislation is that the Requested Relief is granted provided that Minority Approval (as contemplated in Part 8 of MI 61-101) shall have been obtained by the Written Resolution.

"Naizam Kanji"  
Deputy Director  
Mergers & Acquisitions, Corporate Finance  
Ontario Securities Commission

**2.1.8 Zongshen PEM Power Systems Inc.**

January 14, 2013

Zongshen PEM Power Systems Inc.  
588-580 Hornby Street  
Vancouver, BC V6C 3B6

Dear Sirs/Mesdames:

**Re: Zongshen PEM Power Systems Inc. (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 that the Applicant is not a reporting issuer.

In this decision, “securityholder” means, for a security, the beneficial owner of the security.

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 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide;
- (b) no securities of the Applicant, including debt securities, are traded in Canada or another country on a marketplace as defined in National Instrument 21-101 Marketplace Operation or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported;
- (c) the Applicant is applying for a decision that it is not a reporting issuer in all of the jurisdictions of Canada in which it is currently a reporting issuer; and
- (d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer.

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

“Shannon O’Hearn”  
Manager, Corporate Finance  
Ontario Securities Commission

## 2.1.9 PRT Growing Services Ltd.

### Headnote

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

### Ontario Statutes

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

January 14, 2013

PRT Growing Services Ltd.  
# 101 – 1006 Fort Street  
Victoria, BC V8V 3K4

Attn: Robert A. Miller

Dear Sirs/Mesdames:

**Re: PRT Growing Services Ltd (the Applicant) – application for a decision under the securities legislation of Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador (the Jurisdictions) that the Applicant is not a reporting issuer**

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

In this decision, “securityholder” means, for a security, the beneficial owner of the security.

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 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide;
- (b) no securities of the Applicant, including debt securities, are traded in Canada or another country on a marketplace as defined in National Instrument 21-101 Marketplace Operation or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported;
- (c) the Applicant is applying for a decision that it is not a reporting issuer in all of the jurisdictions of Canada in which it is currently a reporting issuer; and
- (d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer.

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

“Shannon O’Hearn”  
Manager, Corporate Finance  
Ontario Securities Commission

**2.2 Orders**

**2.2.1 Simply Wealth Financial Group 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  
SIMPLY WEALTH FINANCIAL GROUP INC.,  
NAIDA ALLARDE, BERNARDO GIANGROSSO,  
K&S GLOBAL WEALTH CREATIVE STRATEGIES INC.,  
KEVIN PERSAUD, MAXINE LOBBAN and WAYNE LOBBAN**

**ORDER  
(Sections 127 and 127.1 of the Securities Act)**

**WHEREAS** on February 16, 2011, the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”), in relation to a Statement of Allegations filed by Staff of the Commission (“Staff”) in respect of Simply Wealth Financial Group Inc. (“Simply Wealth”), Naida Allarde (“Ms. Allarde”), Bernardo Giangrosso (“Mr. Giangrosso”), K&S Global Wealth Creative Strategies Inc. (“K&S”), Kevin Persaud (“Mr. Persaud”), Maxine Lobban (“Ms. Lobban”) and Wayne Lobban (“Mr. Lobban”) (collectively, the “Respondents”);

**AND WHEREAS** on March 16, 2011, Staff filed an Amended Statement of Allegations;

**AND WHEREAS** the Commission conducted the hearing on the merits in this matter January 3, 4 and 13, 2012;

**AND WHEREAS** the Commission issued its Reasons and Decision on the merits in this matter on June 21, 2012 (*Re Simply Wealth Financial Group Inc.* (2012), 35 O.S.C.B. 6007 (the “Merits Decision”));

**AND WHEREAS** the Commission is satisfied that the Respondents have not complied with Ontario securities law and have not acted in the public interest, as outlined in the Merits Decision;

**AND WHEREAS** the Commission conducted a hearing with respect to sanctions and costs on November 27, 2012 and December 5, 2012;

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

**IT IS HEREBY ORDERED** that:

1. With respect to Simply Wealth:
  - (a) pursuant to clause 2 of subsection 127(1) of the *Act*, Simply Wealth is prohibited from trading in securities for five years;
  - (b) pursuant to clause 2.1 of subsection 127(1) of the *Act*, Simply Wealth is prohibited from acquiring securities for five years;
  - (c) pursuant to clause 3 of subsection 127(1) of the *Act*, exemptions in Ontario securities law do not apply to Simply Wealth for five years; and
  - (d) pursuant to clause 10 of subsection 127(1) of the *Act*, Simply Wealth shall jointly and severally together with Ms. Allarde and Mr. Giangrosso, disgorge to the Commission \$215,790 obtained as a result of its non-compliance with Ontario securities law, which shall be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the *Act*.
2. With respect to K&S:

- (a) pursuant to clause 2 of subsection 127(1) of the *Act*, K&S is prohibited from trading in securities for five years;
- (b) pursuant to clause 2.1 of subsection 127(1) of the *Act*, K&S is prohibited from acquiring securities for five years;
- (c) pursuant to clause 3 of subsection 127(1) of the *Act*, exemptions in Ontario securities law do not apply to K&S for five years; and
- (d) pursuant to clause 10 of subsection 127(1) of the *Act*, K&S shall, jointly and severally together with Mr. Persaud, disgorge to the Commission \$90,000 obtained as a result of its non-compliance with Ontario securities law, which shall be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the *Act*.

3. With respect to Naida Allarde:

- (a) pursuant to clause 2 of subsection 127(1) of the *Act*, Ms. Allarde is prohibited from trading in securities for a period of five years, except that, once Ms. Allarde has fully satisfied the terms of subparagraphs 3(g) and (h) below, she may trade in securities for the account of any registered retirement savings plans and/or any registered retirement income funds as defined in the *Income Tax Act* ("RRSPs") in which she and/or her spouse have sole legal and beneficial ownership, provided that:
  - (i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund that is a reporting issuer;
  - (ii) she does not own legally or beneficially, in the aggregate or together with her spouse, more than one percent of the outstanding securities of the class or series of the class in question; and
  - (iii) she carries out any permitted trading through a registered dealer, which dealer must be given a copy of this order, and through accounts opened in her name only and must close any trading accounts that are not in her name only;
- (b) pursuant to clause 2.1 of subsection 127(1) of the *Act*, Ms. Allarde is prohibited from acquiring securities for a period of five years, except that, once Ms. Allarde has fully satisfied the terms of subparagraphs 3(g) and (h), below, she may trade securities for the account of any RRSPs in which she and/or her spouse have sole legal and beneficial ownership, on and subject to the conditions referred to in subparagraphs 3(a)(i) to (iii) of this order;
- (c) pursuant to clause 3 of subsection 127(1) of the *Act*, exemptions in Ontario securities law do not apply to Ms. Allarde for a period of five years, except as necessary to permit the trading authorized under subparagraphs 3(a) or (b) of this order;
- (d) pursuant to clause 6 of subsection 127(1) of the *Act*, Ms. Allarde is reprimanded;
- (e) pursuant to clauses 7, 8.1 and 8.3 of subsection 127(1) of the *Act*, Ms. Allarde is ordered to resign any positions she holds as a director or officer of any issuer, registrant or investment fund manager;
- (f) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the *Act*, Ms. Allarde is prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager for five years;
- (g) pursuant to clause 9 of subsection 127(1) of the *Act*, Ms. Allarde shall pay to the Commission an administrative penalty of \$15,000 as a result of her non-compliance with Ontario securities law;
- (h) pursuant to clause 10 of subsection 127(1) of the *Act*, Ms. Allarde shall, jointly and severally together with Simply Wealth and Mr. Giangrosso, disgorge to the Commission \$215,790.00 obtained as a result of her non-compliance with Ontario securities law; and
- (i) the amounts referred to in each of subparagraphs 3(g) and (h) of this order shall be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the *Act*.

4. With respect to Bernardo Giangrosso:

- (a) pursuant to clause 2 of subsection 127(1) of the *Act*, Mr. Giangrosso is prohibited from trading in securities for a period of five years, except that, once Mr. Giangrosso has fully satisfied the terms of subparagraphs 4(g) and (h), below, he may trade securities for the account of any RRSPs in which he and/or his spouse have sole legal and beneficial ownership, provided that:
  - (i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund that is a reporting issuer;
  - (ii) he does not own legally or beneficially, in the aggregate or together with his spouse, more than one percent of the outstanding securities of the class or series of the class in question; and
  - (iii) he carries out any permitted trading through a registered dealer, which dealer must be given a copy of this order, and through accounts opened in his name only and must close any trading accounts that are not in his name only;
- (b) pursuant to clause 2.1 of subsection 127(1) of the *Act*, Mr. Giangrosso is prohibited from acquiring securities for a period of five years, except that, once Mr. Giangrosso has fully satisfied the terms of subparagraphs 4(g) and (h), below, he may trade securities for the account of any RRSPs in which he and/or his spouse have sole legal and beneficial ownership, on and subject to the conditions referred to in subparagraphs 4(a)(i) to (iii) of this order;
- (c) pursuant to clause 3 of subsection 127(1) of the *Act*, exemptions in Ontario securities law do not apply to Mr. Giangrosso for a period of five years, except as necessary to permit the trading authorized under subparagraphs 4(a) or (b) of this order;
- (d) pursuant to clause 6 of subsection 127(1) of the *Act*, Mr. Giangrosso is reprimanded;
- (e) pursuant to clauses 7, 8.1 and 8.3 of subsection 127(1) of the *Act*, Mr. Giangrosso is ordered to resign any positions he holds as a director or officer of any issuer, registrant or investment fund manager;
- (f) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the *Act*, Mr. Giangrosso is prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager for five years;
- (g) pursuant to clause 9 of subsection 127(1) of the *Act*, Mr. Giangrosso shall pay to the Commission an administrative penalty of \$15,000 as a result of his non-compliance with Ontario securities law;
- (h) pursuant to clause 10 of subsection 127(1) of the *Act*, Mr. Giangrosso shall, jointly and severally together with Simply Wealth and Ms. Allarde, disgorge to the Commission \$215,790.00 obtained as a result of his non-compliance with Ontario securities law; and
- (i) the amounts referred to in each of subparagraphs 4(g) and (h) of this order shall be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the *Act*.

5. With respect to Kevin Persaud:

- (a) pursuant to clause 2 of subsection 127(1) of the *Act*, Mr. Persaud is prohibited from trading in securities for a period of five years, except that, once Mr. Persaud has fully satisfied the terms of subparagraphs 5(g), (h) and (i), below, he may trade securities for the account of any RRSPs, registered education savings plan or tax-free savings account as defined in the *Income Tax Act* in which he and/or his spouse have sole legal and beneficial ownership, provided that:
  - (i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund that is a reporting issuer;
  - (ii) he does not own legally or beneficially, in the aggregate or together with his spouse, more than one percent of the outstanding securities of the class or series of the class in question; and



- (iii) he carries out any permitted trading through a registered dealer, which dealer must be given a copy of this order, and through accounts opened in his name only and must close any trading accounts that are not in his name only;
- (b) pursuant to clause 2.1 of subsection 127(1) of the *Act*, Mr. Persaud is prohibited from acquiring securities for a period of five years, except that, once Mr. Persaud has fully satisfied the terms of subparagraphs 5(g), (h) and (i), he may trade securities for the account of any RRSPs in which he and/or his spouse have sole legal and beneficial ownership, on and subject to the conditions referred to in subparagraphs 5(a)(i) to (iii) of this order;
- (c) pursuant to clause 3 of subsection 127(1) of the *Act*, exemptions in Ontario securities law do not apply to Mr. Persaud for a period of five years, except as necessary to permit the trading authorized under subparagraphs 5(a) or (b) of this order;
- (d) pursuant to clause 6 of subsection 127(1) of the *Act*, Mr. Persaud is reprimanded;
- (e) pursuant to clauses 7, 8.1 and 8.3 of subsection 127(1) of the *Act*, Mr. Persaud is ordered to resign any positions he holds as a director or officer of any issuer, registrant or investment fund manager;
- (f) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the *Act*, Mr. Persaud is prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager for five years;
- (g) pursuant to clause 9 of subsection 127(1) of the *Act*, Mr. Persaud shall pay to the Commission an administrative penalty of \$15,000 as a result of his non-compliance with Ontario securities law;
- (h) pursuant to clause 10 of subsection 127(1) of the *Act*, Mr. Persaud shall, jointly and severally together with K&S, disgorge to the Commission \$90,000.00 obtained as a result of his non-compliance with Ontario securities law;
- (i) pursuant to section 127.1 of the *Act*, Mr. Persaud shall pay costs incurred by the Commission in relation to the hearing of this matter in the amount of \$11,121.25; and
- (j) the amounts referred to in each of subparagraphs 5(g) and (h) of this order shall be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the *Act*.

6. With respect to Maxine Lobban:

- (a) pursuant to clause 2 of subsection 127(1) of the *Act*, Ms. Lobban is prohibited from trading in securities for a period of five years, except that, once Ms. Lobban has fully satisfied the terms of subparagraphs 6(g) and (h), below, she may trade securities for the account of any RRSPs in which she and/or her spouse have sole legal and beneficial ownership, provided that:
  - (i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund that is a reporting issuer;
  - (ii) she does not own legally or beneficially, in the aggregate or together with her spouse, more than one percent of the outstanding securities of the class or series of the class in question; and
  - (iii) she carries out any permitted trading through a registered dealer, which dealer must be given a copy of this order, and through accounts opened in her name only and must close any trading accounts that are not in her name only;
- (b) pursuant to clause 2.1 of subsection 127(1) of the *Act*, Ms. Lobban is prohibited from acquiring securities for a period of five years, except that, once Ms. Lobban has fully satisfied the terms of subparagraphs 6(g) and (h), below, she may trade securities for the account of any RRSPs in which she and/or her spouse have sole legal and beneficial ownership, on and subject to the conditions referred to in subparagraphs 6(a)(i) to (iii) of this order;
- (c) pursuant to clause 3 of subsection 127(1) of the *Act*, exemptions in Ontario securities law do not apply to Ms. Lobban for a period of five years, except as necessary to permit the trading authorized under subparagraphs 6(a) or (b) of this order;
- (d) pursuant to clause 6 of subsection 127(1) of the *Act*, Ms. Lobban is reprimanded;

- (e) pursuant to clauses 7, 8.1 and 8.3 of subsection 127(1) of the *Act*, Ms. Lobban is ordered to resign any positions she holds as a director or officer of any issuer, registrant or investment fund manager;
- (f) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the *Act*, Ms. Lobban is prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager for five years;
- (g) pursuant to clause 9 of subsection 127(1) of the *Act*, Ms. Lobban shall pay to the Commission an administrative penalty of \$15,000 as a result of her non-compliance with Ontario securities law;
- (h) pursuant to clause 10 of subsection 127(1) of the *Act*, Ms. Lobban shall, jointly and severally together with Wayne Lobban, disgorge to the Commission \$120,427.50 obtained as a result of her non-compliance with Ontario securities law; and
- (i) the amounts referred to in each of subparagraphs 6(g) and (h) of this order shall be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the *Act*.

7. With respect to Wayne Lobban:

- (a) pursuant to clause 2 of subsection 127(1) of the *Act*, Mr. Lobban is prohibited from trading in securities for a period of five years, except that, once Mr. Lobban has fully satisfied the terms of subparagraphs 7(g) and (h), below, he may trade securities for the account of any RRSPs in which he and/or his spouse have sole legal and beneficial ownership, provided that:
  - (i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund that is a reporting issuer;
  - (ii) he does not own legally or beneficially, in the aggregate or together with his spouse, more than one percent of the outstanding securities of the class or series of the class in question; and
  - (iii) he carries out any permitted trading through a registered dealer, which dealer must be given a copy of this order, and through accounts opened in his name only and must close any trading accounts that are not in his name only;
- (b) pursuant to clause 2.1 of subsection 127(1) of the *Act*, Mr. Lobban is prohibited from acquiring securities for a period of five years, except that, once Mr. Lobban has fully satisfied the terms of subparagraphs 7(g) and (h), he may trade securities for the account of any RRSPs in which he and/or his spouse have sole legal and beneficial ownership, on and subject to the conditions referred to in subparagraphs 7(a)(i) to (iii) of this order;
- (c) pursuant to clause 3 of subsection 127(1) of the *Act*, exemptions in Ontario securities law do not apply to Mr. Lobban for a period of five years, except as necessary to permit the trading authorized under subparagraphs 7(a) or (b) of this order;
- (d) pursuant to clause 6 of subsection 127(1) of the *Act*, Mr. Lobban is reprimanded;
- (e) pursuant to clauses 7, 8.1 and 8.3 of subsection 127(1) of the *Act*, Mr. Lobban is ordered to resign any positions he holds as a director or officer of any issuer, registrant or investment fund manager;
- (f) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the *Act*, Mr. Lobban is prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager for five years;
- (g) pursuant to clause 9 of subsection 127(1) of the *Act*, Mr. Lobban shall pay to the Commission an administrative penalty of \$15,000 as a result of his non-compliance with Ontario securities law;
- (h) pursuant to clause 10 of subsection 127(1) of the *Act*, Mr. Lobban shall, jointly and severally together with Maxine Lobban, disgorge to the Commission \$120,427.50 obtained as a result of his non-compliance with Ontario securities law; and
- (i) the amounts referred to in each of subparagraphs 7(g) and (h) of this order shall be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the *Act*.

Dated this 9th day of January, 2013.

“James D. Carnwath”, QC

**2.2.2 Simply Wealth Financial Group 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  
SIMPLY WEALTH FINANCIAL GROUP INC.,  
NAIDA ALLARDE, BERNARDO GIANGROSSO,  
K&S GLOBAL WEALTH CREATIVE STRATEGIES INC.,  
KEVIN PERSAUD, MAXINE LOBBAN and WAYNE LOBBAN**

**ORDER  
(Sections 127 and 127.1 of the Securities Act)**

**WHEREAS** on February 16, 2011, the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “*Act*”), in relation to a Statement of Allegations filed by Staff of the Commission (“Staff”) in respect of Simply Wealth Financial Group Inc. (“Simply Wealth”), Naida Allarde (“Ms. Allarde”), Bernardo Giangrosso (“Mr. Giangrosso”), K&S Global Wealth Creative Strategies Inc. (“K&S”), Kevin Persaud (“Mr. Persaud”), Maxine Lobban (“Ms. Lobban”) and Wayne Lobban (“Mr. Lobban”) (collectively, the “Respondents”);

**AND WHEREAS** on March 16, 2011, Staff filed an Amended Statement of Allegations;

**AND WHEREAS** the Commission conducted the hearing on the merits in this matter January 3, 4 and 13, 2012;

**AND WHEREAS** the Commission issued its Reasons and Decision on the merits in this matter on June 21, 2012 (*Re Simply Wealth Financial Group Inc.* (2012), 35 O.S.C.B. 6007 (the “Merits Decision”));

**AND WHEREAS** the Commission is satisfied that the Respondents have not complied with Ontario securities law and have not acted in the public interest, as outlined in the Merits Decision;

**AND WHEREAS** the Commission conducted a hearing with respect to sanctions and costs on November 27, 2012 and December 5, 2012;

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

**IT IS HEREBY ORDERED** that:

1. With respect to Simply Wealth:
  - (a) pursuant to clause 2 of subsection 127(1) of the *Act*, Simply Wealth is prohibited from trading in securities for five years;
  - (b) pursuant to clause 2.1 of subsection 127(1) of the *Act*, Simply Wealth is prohibited from acquiring securities for five years;
  - (c) pursuant to clause 3 of subsection 127(1) of the *Act*, exemptions in Ontario securities law do not apply to Simply Wealth for five years; and
  - (d) pursuant to clause 10 of subsection 127(1) of the *Act*, Simply Wealth shall jointly and severally together with Ms. Allarde and Mr. Giangrosso, disgorge to the Commission \$215,790 obtained as a result of its non-compliance with Ontario securities law, which shall be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the *Act*.
2. With respect to K&S:
  - (a) pursuant to clause 2 of subsection 127(1) of the *Act*, K&S is prohibited from trading in securities for five years;
  - (b) pursuant to clause 2.1 of subsection 127(1) of the *Act*, K&S is prohibited from acquiring securities for five years;

- (c) pursuant to clause 3 of subsection 127(1) of the *Act*, exemptions in Ontario securities law do not apply to K&S for five years; and
- (d) pursuant to clause 10 of subsection 127(1) of the *Act*, K&S shall, jointly and severally together with Mr. Persaud, disgorge to the Commission \$90,000 obtained as a result of its non-compliance with Ontario securities law, which shall be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the *Act*.

3. With respect to Naida Allarde:

- (a) pursuant to clause 2 of subsection 127(1) of the *Act*, Ms. Allarde is prohibited from trading in securities for a period of five years, except that, once Ms. Allarde has fully satisfied the terms of subparagraphs 3(g) and (h) below, she may trade in securities for the account of any registered retirement savings plans and/or any registered retirement income funds as defined in the *Income Tax Act* ("RRSPs") in which she and/or her spouse have sole legal and beneficial ownership, provided that:
  - (i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund that is a reporting issuer;
  - (ii) she does not own legally or beneficially, in the aggregate or together with her spouse, more than one percent of the outstanding securities of the class or series of the class in question; and
  - (iii) she carries out any permitted trading through a registered dealer, which dealer must be given a copy of this order, and through accounts opened in her name only and must close any trading accounts that are not in her name only;
- (b) pursuant to clause 2.1 of subsection 127(1) of the *Act*, Ms. Allarde is prohibited from acquiring securities for a period of five years, except that, once Ms. Allarde has fully satisfied the terms of subparagraphs 3(g) and (h), below, she may trade securities for the account of any RRSPs in which she and/or her spouse have sole legal and beneficial ownership, on and subject to the conditions referred to in subparagraphs 3(a)(i) to (iii) of this order;
- (c) pursuant to clause 3 of subsection 127(1) of the *Act*, exemptions in Ontario securities law do not apply to Ms. Allarde for a period of five years, except as necessary to permit the trading authorized under subparagraphs 3(a) or (b) of this order;
- (d) pursuant to clause 6 of subsection 127(1) of the *Act*, Ms. Allarde is reprimanded;
- (e) pursuant to clauses 7, 8.1 and 8.3 of subsection 127(1) of the *Act*, Ms. Allarde is ordered to resign any positions she holds as a director or officer of any issuer, registrant or investment fund manager;
- (f) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the *Act*, Ms. Allarde is prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager for five years;
- (g) pursuant to clause 9 of subsection 127(1) of the *Act*, Ms. Allarde shall pay to the Commission an administrative penalty of \$15,000 as a result of her non-compliance with Ontario securities law;
- (h) pursuant to clause 10 of subsection 127(1) of the *Act*, Ms. Allarde shall, jointly and severally together with Simply Wealth and Mr. Giangrosso, disgorge to the Commission \$215,790.00 obtained as a result of her non-compliance with Ontario securities law; and
- (i) the amounts referred to in each of subparagraphs 3(g) and (h) of this order shall be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the *Act*.

4. With respect to Bernardo Giangrosso:

- (a) pursuant to clause 2 of subsection 127(1) of the *Act*, Mr. Giangrosso is prohibited from trading in securities for a period of five years, except that, once Mr. Giangrosso has fully satisfied the terms of subparagraphs 4(g) and (h), below, he may trade securities for the account of any RRSPs in which he and/or his spouse have sole legal and beneficial ownership, provided that:

- (i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund that is a reporting issuer;
  - (ii) he does not own legally or beneficially, in the aggregate or together with his spouse, more than one percent of the outstanding securities of the class or series of the class in question; and
  - (iii) he carries out any permitted trading through a registered dealer, which dealer must be given a copy of this order, and through accounts opened in his name only and must close any trading accounts that are not in his name only;
- (b) pursuant to clause 2.1 of subsection 127(1) of the *Act*, Mr. Giangrosso is prohibited from acquiring securities for a period of five years, except that, once Mr. Giangrosso has fully satisfied the terms of subparagraphs 4(g) and (h), below, he may trade securities for the account of any RRSPs in which he and/or his spouse have sole legal and beneficial ownership, on and subject to the conditions referred to in subparagraphs 4(a)(i) to (iii) of this order;
- (c) pursuant to clause 3 of subsection 127(1) of the *Act*, exemptions in Ontario securities law do not apply to Mr. Giangrosso for a period of five years, except as necessary to permit the trading authorized under subparagraphs 4(a) or (b) of this order;
- (d) pursuant to clause 6 of subsection 127(1) of the *Act*, Mr. Giangrosso is reprimanded;
- (e) pursuant to clauses 7, 8.1 and 8.3 of subsection 127(1) of the *Act*, Mr. Giangrosso is ordered to resign any positions he holds as a director or officer of any issuer, registrant or investment fund manager;
- (f) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the *Act*, Mr. Giangrosso is prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager for five years;
- (g) pursuant to clause 9 of subsection 127(1) of the *Act*, Mr. Giangrosso shall pay to the Commission an administrative penalty of \$15,000 as a result of his non-compliance with Ontario securities law;
- (h) pursuant to clause 10 of subsection 127(1) of the *Act*, Mr. Giangrosso shall, jointly and severally together with Simply Wealth and Ms. Allarde, disgorge to the Commission \$215,790.00 obtained as a result of his non-compliance with Ontario securities law; and
- (i) the amounts referred to in each of subparagraphs 4(g) and (h) of this order shall be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the *Act*.

5. With respect to Kevin Persaud:

- (a) pursuant to clause 2 of subsection 127(1) of the *Act*, Mr. Persaud is prohibited from trading in securities for a period of five years, except that, once Mr. Persaud has fully satisfied the terms of subparagraphs 5(g), (h) and (i), below, he may trade securities for the account of any RRSPs, registered education savings plan or tax-free savings account as defined in the *Income Tax Act* in which he and/or his spouse have sole legal and beneficial ownership, provided that:
  - (i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund that is a reporting issuer;
  - (ii) he does not own legally or beneficially, in the aggregate or together with his spouse, more than one percent of the outstanding securities of the class or series of the class in question; and
  - (iii) he carries out any permitted trading through a registered dealer, which dealer must be given a copy of this order, and through accounts opened in his name only and must close any trading accounts that are not in his name only;
- (b) pursuant to clause 2.1 of subsection 127(1) of the *Act*, Mr. Persaud is prohibited from acquiring securities for a period of five years, except that, once Mr. Persaud has fully satisfied the terms of subparagraphs 5(g), (h) and (i), he may trade securities for the account of any RRSPs in which he and/or his spouse have sole legal and beneficial ownership, on and subject to the conditions referred to in subparagraphs 5(a)(i) to (iii) of this order;

- (c) pursuant to clause 3 of subsection 127(1) of the *Act*, exemptions in Ontario securities law do not apply to Mr. Persaud for a period of five years, except as necessary to permit the trading authorized under subparagraphs 5(a) or (b) of this order;
- (d) pursuant to clause 6 of subsection 127(1) of the *Act*, Mr. Persaud is reprimanded;
- (e) pursuant to clauses 7, 8.1 and 8.3 of subsection 127(1) of the *Act*, Mr. Persaud is ordered to resign any positions he holds as a director or officer of any issuer, registrant or investment fund manager;
- (f) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the *Act*, Mr. Persaud is prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager for five years;
- (g) pursuant to clause 9 of subsection 127(1) of the *Act*, Mr. Persaud shall pay to the Commission an administrative penalty of \$15,000 as a result of his non-compliance with Ontario securities law;
- (h) pursuant to clause 10 of subsection 127(1) of the *Act*, Mr. Persaud shall, jointly and severally together with K&S, disgorge to the Commission \$90,000.00 obtained as a result of his non-compliance with Ontario securities law;
- (i) pursuant to section 127.1 of the *Act*, Mr. Persaud shall pay costs incurred by the Commission in relation to the hearing of this matter in the amount of \$11,121.25; and
- (j) the amounts referred to in each of subparagraphs 5(g) and (h) of this order shall be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the *Act*.

6. With respect to Maxine Lobban:

- (a) pursuant to clause 2 of subsection 127(1) of the *Act*, Ms. Lobban is prohibited from trading in securities for a period of five years, except that, once Ms. Lobban has fully satisfied the terms of subparagraphs 6(g) and (h), below, she may trade securities for the account of any RRSPs in which she and/or her spouse have sole legal and beneficial ownership, provided that:
  - (i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund that is a reporting issuer;
  - (ii) she does not own legally or beneficially, in the aggregate or together with her spouse, more than one percent of the outstanding securities of the class or series of the class in question; and
  - (iii) she carries out any permitted trading through a registered dealer, which dealer must be given a copy of this order, and through accounts opened in her name only and must close any trading accounts that are not in her name only;
- (b) pursuant to clause 2.1 of subsection 127(1) of the *Act*, Ms. Lobban is prohibited from acquiring securities for a period of five years, except that, once Ms. Lobban has fully satisfied the terms of subparagraphs 6(g) and (h), below, she may trade securities for the account of any RRSPs in which she and/or her spouse have sole legal and beneficial ownership, on and subject to the conditions referred to in subparagraphs 6(a)(i) to (iii) of this order;
- (c) pursuant to clause 3 of subsection 127(1) of the *Act*, exemptions in Ontario securities law do not apply to Ms. Lobban for a period of five years, except as necessary to permit the trading authorized under subparagraphs 6(a) or (b) of this order;
- (d) pursuant to clause 6 of subsection 127(1) of the *Act*, Ms. Lobban is reprimanded;
- (e) pursuant to clauses 7, 8.1 and 8.3 of subsection 127(1) of the *Act*, Ms. Lobban is ordered to resign any positions she holds as a director or officer of any issuer, registrant or investment fund manager;
- (f) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the *Act*, Ms. Lobban is prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager for five years;
- (g) pursuant to clause 9 of subsection 127(1) of the *Act*, Ms. Lobban shall pay to the Commission an administrative penalty of \$15,000 as a result of her non-compliance with Ontario securities law;

- (h) pursuant to clause 10 of subsection 127(1) of the *Act*, Ms. Lobban shall, jointly and severally together with Wayne Lobban, disgorge to the Commission \$120,427.50 obtained as a result of her non-compliance with Ontario securities law; and
- (i) the amounts referred to in each of subparagraphs 6(g) and (h) of this order shall be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the *Act*.

7. With respect to Wayne Lobban:

- (a) pursuant to clause 2 of subsection 127(1) of the *Act*, Mr. Lobban is prohibited from trading in securities for a period of five years, except that, once Mr. Lobban has fully satisfied the terms of subparagraphs 7(g) and (h), below, he may trade securities for the account of any RRSPs in which he and/or his spouse have sole legal and beneficial ownership, provided that:
  - (i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund that is a reporting issuer;
  - (ii) he does not own legally or beneficially, in the aggregate or together with his spouse, more than one percent of the outstanding securities of the class or series of the class in question; and
  - (iii) he carries out any permitted trading through a registered dealer, which dealer must be given a copy of this order, and through accounts opened in his name only and must close any trading accounts that are not in his name only;
- (b) pursuant to clause 2.1 of subsection 127(1) of the *Act*, Mr. Lobban is prohibited from acquiring securities for a period of five years, except that, once Mr. Lobban has fully satisfied the terms of subparagraphs 7(g) and (h), he may trade securities for the account of any RRSPs in which he and/or his spouse have sole legal and beneficial ownership, on and subject to the conditions referred to in subparagraphs 7(a)(i) to (iii) of this order;
- (c) pursuant to clause 3 of subsection 127(1) of the *Act*, exemptions in Ontario securities law do not apply to Mr. Lobban for a period of five years, except as necessary to permit the trading authorized under subparagraphs 7(a) or (b) of this order;
- (d) pursuant to clause 6 of subsection 127(1) of the *Act*, Mr. Lobban is reprimanded;
- (e) pursuant to clauses 7, 8.1 and 8.3 of subsection 127(1) of the *Act*, Mr. Lobban is ordered to resign any positions he holds as a director or officer of any issuer, registrant or investment fund manager;
- (f) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the *Act*, Mr. Lobban is prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager for five years;
- (g) pursuant to clause 9 of subsection 127(1) of the *Act*, Mr. Lobban shall pay to the Commission an administrative penalty of \$15,000 as a result of his non-compliance with Ontario securities law;
- (h) pursuant to clause 10 of subsection 127(1) of the *Act*, Mr. Lobban shall, jointly and severally together with Maxine Lobban, disgorge to the Commission \$120,427.50 obtained as a result of his non-compliance with Ontario securities law; and
- (i) the amounts referred to in each of subparagraphs 7(g) and (h) of this order shall be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the *Act*.

Dated this 9th day of January, 2013.

“James D. Carnwath”, QC

**2.2.3 Peter Sbaraglia**

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

**AND**

**IN THE MATTER OF  
PETER SBARAGLIA**

**ORDER**

**WHEREAS** on February 24, 2011, 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 relation to a Statement of Allegations filed by Staff of the Commission ("Staff") on February 24, 2011 with respect to Peter Sbaraglia ("Sbaraglia");

**AND WHEREAS** on March 31, 2011, the Commission heard submissions from Staff and counsel for Sbaraglia and adjourned the hearing to April 28, 2011;

**AND WHEREAS** on April 28, 2011, the Commission heard submissions from Staff and counsel for Sbaraglia and adjourned the hearing to June 7, 2011;

**AND WHEREAS** on June 7, 2011, the Commission heard submissions from Staff and counsel for Sbaraglia and adjourned the hearing to July 27, 2011;

**AND WHEREAS** on July 27, 2011, the Commission heard submissions from Staff and Sbaraglia and ordered that a pre-hearing conference in this matter take place on October 28, 2011;

**AND WHEREAS** on October 28, 2011, the Commission held a pre-hearing conference in this matter and heard submissions from Staff and counsel for Sbaraglia and adjourned the pre-hearing conference to November 25, 2011 on the consent of the parties;

**AND WHEREAS** on November 25, 2011, following a pre-hearing conference at which the Commission heard submissions from Staff and counsel for Sbaraglia, the Commission ordered that: Sbaraglia's motion regarding Staff's disclosure, if Sbaraglia determined to bring such a motion, be scheduled for January 24, 2012; the hearing on the merits commence on June 4, 2012 and continue until June 26, 2012, excluding June 5 and 19, 2012; and a pre-hearing conference be held on April 30, 2012;

**AND WHEREAS** on January 24, 2012, the Commission held a hearing with respect to a disclosure motion brought by Sbaraglia and ordered that the minimum time requirements under subrule 4.3(1) and rule 4.5 of the Ontario Securities Commission *Rules of Procedure* (2010), 33 O.S.C.B. 8017 (the "Rules") be extended by an additional 10 days;

**AND WHEREAS** on April 30, 2012, the Commission held a hearing with respect to a motion brought by counsel for Sbaraglia seeking an adjournment of the hearing on the merits, which was opposed by Staff, and the Commission ordered that: the hearing on the merits originally scheduled to commence on June 4, 2012 will commence on October 22, 2012 and continue until November 14, 2012, inclusive, with the exception of October 23, 2012 and November 5 and 6, 2012, on a peremptory basis with respect to Sbaraglia; a pre-hearing conference be held on June 4, 2012; and the extension of the minimum time requirements under subrule 4.3(1) and rule 4.5 of the Rules ordered on January 24, 2012 be set aside;

**AND WHEREAS** on June 4, 2012, the Commission held a pre-hearing conference and heard submissions from Staff and counsel for Sbaraglia and adjourned the pre-hearing conference to July 4, 2012;

**AND WHEREAS** on July 4, 2012, the Commission held a pre-hearing conference and heard submissions from Staff and counsel for Sbaraglia and adjourned the pre-hearing conference to July 19, 2012;

**AND WHEREAS** on July 19, 2012, the Commission held a hearing with respect to a motion brought by counsel for Sbaraglia seeking an adjournment of the hearing on the merits, to which Staff consented;

**AND WHEREAS** counsel for Sbaraglia advised the Commission that there was an appeal and cross-appeal of Justice Pattillo's decision of May 23, 2012 regarding Sbaraglia's motion to compel production by the Receiver of certain documents alleged by Sbaraglia to be relevant to this matter scheduled before the Court of Appeal on October 2, 2012;

**AND WHEREAS** the Commission ordered that: the hearing on the merits scheduled to commence on October 22, 2012 will commence on March 18, 2013, on a peremptory basis with respect to Sbaraglia, and shall continue until April 5, 2013, inclusive, with the exception of March 26 and 29, 2013 and further continue on April 24 and 25, 2013; and a pre-hearing conference will be held on November 7, 2012;

**AND WHEREAS** on November 7, 2012, the Commission held a pre-hearing conference and heard submissions from Staff and counsel for Sbaraglia and adjourned the pre-hearing conference to December 12, 2012;

**AND WHEREAS** on December 12, 2012, the Commission held a pre-hearing conference in this matter and heard submissions from Staff and counsel for Sbaraglia;

**AND WHEREAS** counsel for Sbaraglia advised the Commission that Sbaraglia intended to request the issuance of summonses to a number of individuals, including the Receiver;



**AND WHEREAS** Staff requested that a hearing be scheduled at which time anyone to whom a summons was issued may bring a motion to have the issuance of the summons reviewed by the Commission in accordance with subrule 4.7(2) of the Rules;

**AND WHEREAS** counsel for Sbaraglia undertook to advise the parties to whom summonses were issued of the date of the hearing with respect to any motion to review the issuance of the summonses;

**AND WHEREAS** the Commission ordered that a hearing be held on January 9, 2013 for the purpose of considering any motion to review the issuance of the summonses in accordance with subrule 4.7(2) of the Rules;

**AND WHEREAS** on January 9, 2013, Staff, counsel for Sbaraglia, counsel for the Receiver and counsel for an individual to whom a summons had been issued appeared before the Commission and made submissions regarding the scheduling of motions to review the issuance of the summonses;

**AND WHEREAS** counsel for the Receiver advised the Commission that the Receiver intends to bring a motion to review the issuance of the summons to the Receiver;

**AND WHEREAS** counsel for Sbaraglia undertook to advise the parties to whom summonses have been issued of the date of the hearing with respect to any motion to review the issuance of the summonses;

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

**IT IS ORDERED THAT:**

1. A hearing will be held on February 8, 2013 at 10:00 a.m. for the purpose of considering a motion by the Receiver, if applicable, to review the issuance of the summons to the Receiver in accordance with subrule 4.7(2) of the Rules; and
2. A hearing will be held on February 8, 2013 at 10:00 a.m., following the hearing to which reference is made in paragraph 1 above, if applicable, and on such other date and time as agreed to by the parties and determined by the Office of the Secretary, for the purpose of considering a motion by any other party to whom a summons has been issued to review the issuance of a summons to such party in accordance with subrule 4.7(2) of the Rules;

**DATED** at Toronto this 9th day of January, 2013.

“Christopher Portner”

**2.2.4 Morgan Dragon Development Corp.  
et al. – s. 127**

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

**AND**

**IN THE MATTER OF  
MORGAN DRAGON DEVELOPMENT CORP.,  
JOHN CHEONG (AKA KIM MENG CHEONG),  
HERMAN TSE, DEVON RICKETTS AND  
MARK GRIFFITHS**

**ORDER  
(Section 127)**

**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”) (the “Notice of Hearing”) in connection with a Statement of Allegations filed by Staff of the Commission (“Staff”) on March 22, 2012, to consider whether it is in the public interest to make certain orders against Morgan Dragon Development Corp. (“MDDC”), John Cheong (aka Kim Meng Cheong) (“Cheong”), Herman Tse (“Tse”), Devon Ricketts (“Ricketts”) and Mark Griffiths (“Griffiths”) (collectively, the “Respondents”);

**AND WHEREAS** the Commission issued an Amended Notice of Hearing pursuant to sections 127 and 127.1 of the Act on March 26, 2012 (the “Amended Notice of Hearing”);

**AND WHEREAS** on April 19, 2012, a first appearance hearing was held and the matter was adjourned to a confidential pre-hearing conference on June 4, 2012;

**AND WHEREAS** on April 25, 2012, the Commission was informed that a confidential pre-hearing conference would not be required and the Commission ordered that a hearing would take place on June 4, 2012, at 9:30 a.m. to provide the panel with a status update;

**AND WHEREAS** on June 4, 2012, the Commission heard submissions from Staff and counsel for MDDC and Cheong, and the matter was adjourned to August 15, 2012, for a further status update;

**AND WHEREAS** on August 15, 2012, the Commission heard submissions from Staff and counsel for MDDC and Cheong, and the matter was adjourned to September 20, 2012, for a further status update;

**AND WHEREAS** on September 20, 2012, the hearing on the merits in this matter was scheduled to commence on April 11, 2013, and continue on April 12, 15 to 19, 22 and 24, 2013, and the matter was adjourned to a confidential pre-hearing conference on January 11, 2013;

**AND WHEREAS** on January 11, 2013, a confidential pre-hearing conference was held and the Commission heard submissions from Staff and counsel for the Respondents Cheong, Tse, Ricketts and MDDC;

**AND WHEREAS** Griffiths did not appear, though properly served with notice of the hearing;

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

**IT IS HEREBY ORDERED** that a further confidential pre-hearing conference will be held on February 19, 2013, at 9:00 a.m.

**DATED** at Toronto this 11th day of January, 2013.

“James E. A. Turner”

**2.2.5 Newer Technologies Limited  
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  
NEWER TECHNOLOGIES LIMITED, RYAN PICKERING  
AND RODGER FREY**

**ORDER  
(Subsection 127(1) and section 127.1)**

**WHEREAS** on December 4, 2012, the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”) in connection with a Statement of Allegations filed by Staff of the Commission (“Staff”) on December 4, 2012 in respect of Newer Technologies Limited, Ryan Pickering and Rodger Frey (collectively, the “Respondents”);

**AND WHEREAS** the Respondents were served with the Notice of Hearing and Statement of Allegations on December 5, 2012;

**AND WHEREAS** the Notice of Hearing provided that a hearing would be held at the temporary hearing rooms of the Commission on January 11, 2013;

**AND WHEREAS** at the first attendance on January 11, 2013, in attendance were Staff and counsel for Newer Technologies Limited and Ryan Pickering;

**AND WHEREAS** Rodger Frey did not appear, however Staff indicated that Rodger Frey had contacted Staff to notify them that he was aware of the attendance but would not be present;

**AND WHEREAS** Staff requested that a confidential pre-hearing conference be scheduled, and counsel agreed;

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

**IT IS HEREBY ORDERED** that a confidential pre-hearing conference shall take place at the offices of the Commission at 20 Queen Street West, 17th Floor, Toronto, Ontario, on March 18, 2013 at 9:00 a.m. or as soon thereafter as the hearing can be held.

**DATED** at Toronto this 11th day of January, 2013.

“James E. A. Turner”

## Chapter 3

# Reasons: Decisions, Orders and Rulings

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### 3.1 OSC Decisions, Orders and Rulings

#### 3.1.1 White Capital Corporation and Matthew White – s. 31

**IN THE MATTER OF  
STAFF'S RECOMMENDATION TO SUSPEND  
THE REGISTRATIONS OF WHITE CAPITAL CORPORATION AND  
MATTHEW WHITE**

**OPPORTUNITY TO BE HEARD BY THE DIRECTOR**

**Under section 31 of the Securities Act**

#### **Director's decision**

1. My decision is that the registrations of each of White Capital Corporation (White Capital) and Matthew White (collectively, the Applicants) are hereby suspended. My decision is based on the:
  - a. verbal arguments and written submissions of Michael Denyszyn, Senior Legal Counsel, Compliance and Registrant Regulation Branch (CRR) for Staff of the Ontario Securities Commission (OSC), and Jordan Glick on behalf of the Applicants
  - b. testimony of Kelly Everest (CRR), Carlin Fung (CRR), Albert Ciorma (Enforcement Branch, OSC), Matthew White, Keith Bullen, and David Gilkes. I have not relied on the testimony of Mrs. B or Mr. B. Due to a number of inconsistencies in their evidence, I did not find it credible and have therefore given it no weight, and
  - c. evidence provided at the opportunity to be heard (OTBH).
2. Applicants' counsel made numerous submissions concerning the fairness of the OTBH process in the suspension context and also made very serious allegations concerning the conduct of Staff in the course of this OTBH. I am of the view that the OTBH process in this case was entirely fair and that the allegations with respect to Staff's conduct were unsubstantiated and without merit.
3. This decision outlines the primary bases for my decision to suspend the Applicants' registrations. Although numerous other matters were discussed as part of the OTBH, in my opinion, the primary bases outlined below provide a sufficient and clear basis for me to conclude that neither White Capital nor Matthew White is suitable for registration and that each of their ongoing registrations is otherwise objectionable.

#### **Registration history of the Applicants**

4. White Capital was initially registered as a limited market dealer in 2004. By operation of law, White Capital became registered as an exempt market dealer (EMD) in September 2009.
5. Matthew White is the ultimate designated person (UDP), Chief Compliance Officer (CCO), and one of the dealing representatives of White Capital. Matthew White owns 100% of White Capital.

#### **Suspension letter to the Applicants**

6. By letter dated June 7, 2012, Staff advised the Applicants that it had recommended to the Director that:
  - a. White Capital's registration as an EMD, and
  - b. Matthew White's registration as UDP, CCO and a dealing representative

be suspended. The letter summarized Staff's primary reasons for its recommendation. Pursuant to section 31 of the *Securities Act* (Ontario) (Act), the Applicants are entitled to an OTBH before a decision is made by me, as Director.

Verbal submissions occurred on November 1, and 2, 2012. Both counsel subsequently provided me with written submissions.

7. Staff argued that the Applicants lack the requisite integrity, proficiency, and solvency and their registrations should be suspended. Staff also argued that section 28 of the Act permits me, as Director, to suspend the registrations of the Applicants on the basis that the Applicants are not suitable for registration, have failed to comply with Ontario securities law, or that their registrations are otherwise objectionable.

#### **Primary bases for my decision**

##### ***\$75,000 advance and the conflict with Canyon***

8. The banking records of White Capital show that \$75,000 was transferred into White Capital's bank account in September 2010 directly from a bank account associated with Canyon Acquisitions, LLC (Canyon). An equal amount was then immediately transferred out of the account to purchase a guaranteed investment certificate (GIC). The stipulated facts include a stipulation substantially to this effect.
9. In written closing submissions, White Capital submitted that there were two \$75,000 transfers from Canyon. The first transfer occurred in July 2010 and it was described as being a personal loan to Matthew White. The second transfer occurred in September 2010 and it was described as being a commission advance to White Capital. White Capital submitted that it was the monies from the first transfer in July 2010 that were used to purchase the GIC from White Capital's bank account in September 2010. I don't find this explanation to be plausible and, in my opinion, neither White Capital's books and records nor its banking records reflect the flow of monies in this manner either.
10. As well, there was a lot of contradictory evidence and statements made about the two transfers of \$75,000 from Canyon including by Matthew White under oath in May 2011, in correspondence with Staff in November 2011, in a submission from Applicants' counsel in July 2012, in the stipulated facts, and in Matthew White's testimony on November 2, 2012.
11. Two additional amounts were also paid by Canyon to White Capital - \$40,000 in each of October and November 2010. The two additional payments were also included as stipulated facts. I was also provided with contradictory evidence about these amounts as well.
12. In my view, Matthew White's testimony and his various conflicting statements (including statements through his counsel) on the transfers of monies from Canyon lacked credibility. As a result, Matthew White impugned his integrity.
13. White Capital was obligated to provide conflict disclosure under section 13.4 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) about the nature and extent of conflicts. I agree with Staff's submissions that White Capital did not meet this obligation solely by disclosing in a statement of policies that White Capital is "an advisor to the underlying entities of Placencia Capital Trust", a Canyon issuer, particularly since a majority of the commissions earned by White Capital during the relevant periods were from sales of Canyon products.
14. I also want to address the argument from the Applicants that conflict concerns were diminished by the pre-payment of commissions by Canyon to White Capital. In my view, this argument is wholly incorrect. Matthew White and White Capital were in clear conflict with Canyon whether they were paid in advance or at the time of individual trades.

##### ***Know your client and suitability of client trades***

15. There was a lot of debate at the OTBH regarding whether the clients of White Capital were, in fact, accredited investors (AIs). Staff points to its multiple reviews of White Capital's books and records, which on their face, raise significant questions regarding whether a number of clients were AIs.
16. White Capital points to questionnaires sent to a number of its clients as indicating that the clients were AIs. I had a number of difficulties with the White Capital questionnaires because they did not, in my mind, clearly address whether the clients were AIs. If the questionnaires had asked more detailed questions regarding the clients' financial assets (and net assets), they might have been much more useful in determining whether the clients were, in fact, AIs.
17. An example to illustrate. The KYC form for Client X indicated that she had a total net worth of approximately \$1.8 million, including real estate of \$1.2 million. Her income was shown as being between \$100,000 and \$125,000. Based solely on White Capital's books and records as provided to Staff, Client X is not an AI based either on the net income test, the financial assets test, or the net assets test. In her affidavit, Client X indicates that she had over \$1 million in assets, not including her personal residence. However, no breakdown was provided of her assets. Also, in an

interview with Staff, Client X indicated that most of her assets consisted of real estate holdings (a statement which supports her KYC form). As a result, I have significant doubts as to whether Client X was an AI.

18. White Capital also raised an argument about the need for Staff to essentially “look behind” the books and records to assess suitability of client trades. White Capital also questioned Staff’s approach to the review of suitability, in that Staff were by the very nature of the compliance field review process, forced to “look back” to assess suitability. While Staff recently started calling clients to confirm suitability and know your client information, it is a registrant’s sole responsibility to ensure that its books and records are complete and that they accurately and fully reflect the registrant’s assessment of know your client and suitability of client trades.
19. I concur with Staff that White Capital’s books and records were not sufficient for White Capital to claim that they knew their clients or that the trades made for them were suitable. As well, I do not agree with White Capital’s submission that these KYC and suitability issues were “record keeping issues” and that they should not, and do not, have an impact on White Capital’s suitability for registration.
20. White Capital also argued that Staff should have provided registrants with more guidance on its expectations on the AI exemption (particularly the definitions of “financial assets” and “net assets”). Registrants were subject to a suitability requirement long before the introduction of NI 31-103 in the fall of 2009. As a registrant since 2004, White Capital should have been well aware of its registration requirements, including one of the most fundamental of registration requirements – the requirement to know your clients so that trades made to them are suitable.

***Substantial non-compliance with Ontario securities law***

21. Staff submits, and I agree, that the Applicants failed to comply with Ontario securities law. The following are some of the examples provided by Staff. In my view, I was provided with sufficient clear proof of each of these failures to comply with Ontario securities law:
  - a. The requirement to keep such books, records and other documents as are necessary for the proper recording of business transactions and financial affairs (subsection 19(1) of the Act and section 11.5(1)(a) of NI 31-103)
  - b. The requirement to maintain records to demonstrate the extent of the firm’s compliance with applicable requirements of securities legislation (paragraph 11.5(1)(b) of NI 31-103)
  - c. The requirement to provide books, records and documents required to be kept to Staff in a timely manner (subsection 19(3) of the Act)
  - d. The requirement to take reasonable steps to ensure that the firm has sufficient KYC information on its clients (section 13.2 of NI 31-103)
  - e. The requirement to take reasonable steps to ensure that purchases of securities are suitable for clients (section 13.3 of NI 31-103)
  - f. The requirement that the UDP of a registered firm appropriately supervise the activities of the firm (and individuals acting on its behalf), and to promote compliance by the firm (and individuals acting on its behalf) with securities legislation (section 5.1 of NI 31-103), and
  - g. The requirement that the CCO of a registered firm monitor and assess compliance by the firm, and individuals acting on its behalf, with securities legislation (paragraph 5.2(b) of NI 31-103).
22. There was some debate during the OTBH whether the significant books and records issues were sufficient to suspend the Applicants. In my view, the extent and pervasiveness of the issues in White Capital’s books and records were more than sufficient for me to suspend the Applicants’ registration. However, as set out above, these were not the only serious issues facing the firm.
23. As well, I was advised in Staff’s closing submissions that White Capital’s audited financial statements (which were due at the end of November) were not filed on a timely basis, due to “reasons outside our control and outside the control of our auditors” and later because “several key account confirmations [were] outstanding”. Given the Applicants’ recent OTBH and the fact that White Capital had recently hired an external consultant to assist it in meeting its regulatory responsibilities, I would have expected the Applicants to be extra diligent in meeting their regulatory responsibilities.

### Decision on the suspension of the Applicants

24. My decision is to suspend the registration of each of the Applicants.
25. My decision was made as a result of the primary bases outlined above – all of which were proven by Staff. In my view, the Applicants' conduct clearly demonstrates a fundamental lack of understanding regarding Ontario securities law and a pattern of non-compliance with Ontario securities law. As I said in *Carter Securities Inc., Re* (2010), 33 OSCB 8691:
- “In conclusion, in my view the evidence in this case supports my decision that Carter's registration should be suspended. I concur with staff's assessment that Carter has engaged in a pattern of conduct – through its individual registrants – that demonstrates that it lacks the integrity required of registered firms under the Act.”
26. I was also asked to consider why terms and conditions suggested by the Applicants, and not suspension, was not the appropriate remedy for the misconduct identified in this decision. In my view the test in *Jaynes, Re* (2000), 23 OSCB 1543 is appropriate here. That decision stated that “[w]hile terms and conditions restricting registration may be appropriate in a wide variety of circumstances, they should not be used to shore up a fundamentally objectionable registration”. In my view, the use of terms and conditions in this case would be shoring up fundamentally objectionable registrations and the comments I made in *Carter* are equally applicable here:
- “Following the completion of a compliance field review, staff has a number of “tools” available to it from issuing a deficiency report (for identified issues that staff believes can be relatively easily remedied) up to and including the relatively new Director suspension power. In the majority of cases, a deficiency report is issued. However, faced with possible registrant misconduct, staff's approach is to assess the possible misconduct and determine the appropriate tool to deal with the misconduct. In some cases, staff determines that terms and conditions on registration are the appropriate remedy. Other possible staff remedies are to refer the issue(s) to the OSC's Enforcement Branch for further investigation and possible litigation, or do to as staff did in these circumstances and recommend suspension of registration.”
27. I'd like to comment on the question of acceptable evidence in an OTBH and whether the nature of that evidence is different depending on the size or nature of operations of the registrant. Again, as in *Carter*, I had no difficulty in accepting the books and records of White Capital or correspondence between Staff and White Capital or its registered representatives as proper hearsay evidence without any viva voce evidence being presented. In this case, the primary bases described above were substantiated, where possible, by documents or affidavit evidence. Where records were missing from the Applicants' books and records, I had no difficulty concluding that the books and records were not being maintained as required. With respect to the second question, there is no requirement that the standard of evidence be higher because White Capital employs a number of dealing representatives. Nor do I think the argument for a higher standard of evidence makes sense. I agree with Staff's submissions that all “registered firms must have a chief executive officer (or equivalent) who is a suitable [UDP]. An unsuitable UDP does not insulate himself or herself from appropriate regulatory action by maintaining a sales force.”
28. I'd also like to comment on the documents provided by the Applicants with metadata indicating that the documents had recently been created. While an explanation was provided to me during the OTBH for the recent metadata date, I want to warn registrants and their advisors that the re-creation of documents for provision to Staff – even if they are being reformatted or presented in a more readable form – is generally a dangerous practice. When books and records are requested by Staff, registrants are expected to provide the books and records in their original form.

### Fairness and other considerations

29. The Applicants made extensive submissions about the fairness of this OTBH specifically and OTBHs generally. They also made very serious allegations with respect to the conduct of Staff in this matter. Some of the fairness submissions related to whether:
- a. a higher duty of fairness was required because the OTBH involved potential suspension of the Applicants
  - b. the Applicants were afforded a fair opportunity to respond to issues raised by Staff
  - c. there should be a difference between how OTBHs were conducted and how hearings and reviews before the Commission under section 8 of the Act were conducted, and
  - d. Staff was fair to the Applicants by subjecting the Applicants to a number of oversight reviews over a relatively short period of time.

30. Even though this proceeding involved a recommendation of suspension for the Applicants, in my view the OTBH was conducted in a fair manner and the Applicants were provided with ample opportunity both during the verbal part of the OTBH and in lengthy written submissions to respond to the issues identified by Staff.
31. Despite the Applicants' submissions an OTBH is not meant to be a formal hearing. This point is made abundantly clear in the *Procedures for Opportunities to be Heard* made under the *Statutory Powers Procedure Act* which provide that:

“An appearance before the Director will generally be an informal proceeding. The Ontario Securities Commission Rules of Practice and the Rules of Civil Procedure do not apply... At the appearance, the Director may ask any question and admit any evidence which he or she sees fit... Witnesses may be called, examined and cross-examined with the consent of the Director. The applicant and any witnesses may give evidence under oath or affirmation.”

I also reinforced this point with Applicants' counsel during the course of the OTBH.

32. In the event that the Director issues an adverse decision, an applicant then has the opportunity under subsection 8(2) of the Act for a full hearing and review of the matter. This is treated by the Commission as a hearing de novo, which provides an applicant with a fresh consideration of all of the issues.
33. With respect to the Applicants' serious and repeated allegations of misconduct by Staff, it is sufficient to say that these were entirely unsubstantiated and in my view completely without merit.

### **Conclusion**

34. In my view, neither White Capital nor Matthew White are suitable for registration and, for the reasons provided, their registrations are suspended.

“Marriane Bridge”, FCPA, FCA  
Deputy Director, Compliance and Registrant Regulation Branch  
Ontario Securities Commission  
January 11, 2013

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## Chapter 4

# Cease Trading Orders

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### 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
LCTI Low Carbon Technologies International Inc.	15 Jan 13	28 Jan 13		

### 4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/ Expire	Date of Issuer Temporary Order

There are no items for this week.

### 4.2.2 Outstanding Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/ Expire	Date of Issuer Temporary Order

There are no items for this week.

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## **Chapter 7**

# **Insider Reporting**

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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](http://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](http://www.sedi.ca)).



## Chapter 8

# Notice of Exempt Financings

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### 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
11/06/2012	38	311 New Rodgers Associates, LLC - Units	4,300,000.00	3.00
12/18/2012	131	49 North 2012 Resource Flow-Through Limited Partnership - Limited Partnership Units	2,868,400.00	286,840.00
12/03/2012 to 12/06/2012	8	982 Film Fund Ltd. - Common Shares	214,000.00	N/A
11/29/2012	1	Ally Financial Inc. - Notes	497,225.00	N/A
12/28/2012	13	Altitude Resources Inc. (Formerly Triumph Ventures III Corporation) - Receipts	359,730.00	513,900.00
09/12/2012	17	American Vanadium Corp. - Units	2,000,029.48	3,225,854.00
12/04/2012	69	Arroway Energy Inc. - Flow-Through Units	4,000,189.55	7,395,981.00
10/31/2012	18	Aurin Biotech Inc. - Common Shares	490,275.00	653,700.00
10/31/2012	14	Aurin Biotech Inc. - Common Shares	775,100.00	775,100.00
03/02/2012 to 03/09/2012	61	Aurvista Gold Corporation - Common Shares	1,637,250.00	6,549,000.00
11/13/2012	1	Bayshore Petroleum Corp. - Common Shares	30,000.00	100,000.00
07/18/2008	39	Bending Lake Iron Group Limited (amended) - Common Shares	4,088,000.00	4,088,000.00
08/23/2012	47	Bending Lake Iron Group Limited (amended) - Units	1,710,121.44	28,502,024.00
04/25/2012 to 08/17/2012	2	BirchLeaf Growth Fund - Units	25,779.89	5,720.88
12/13/2012	2	Black Horse Resources Inc. - Units	6,400,786.80	4,879,879.00
08/27/2012 to 09/06/2012	38	Bluestone Resources Inc. - Units	512,420.04	2,846,778.00
12/03/2012	13	Cabia Goldhills Inc. - Units	610,000.00	2,240,000.00
11/08/2012	6	Cabia Goldhills Inc. - Units	367,500.00	200,000.00
12/31/2012	23	Cadman Resources Inc. - Units	224,699.98	4,093,333.00
12/14/2012	25	Caledonian Royalty Corporation - Units	2,000,000.00	250,000.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price (\$)	No of Securities Distributed
11/19/2012	21	Canadian Platinum Corp. - Common Shares	414,095.00	16,594,000.00
11/19/2012	7	Canadian Platinum Corp. - Common Shares	455,075.00	1,226,400.00
12/19/2012	14	Canarc Resource Corp. - Units	495,000.00	4,500,000.00
11/13/2012	6	Canoel International Energy Ltd. - Units	176,939.94	2,948,999.00
12/06/2012	3	Carnival Corporation - Notes	6,180,743.13	6,180,743.13
08/16/2012	67	Cayden Resources Inc. - Common Shares	5,095,000.00	5,095,000.00
12/31/2012	3	Caza Gold Corp. - Common Shares	40,007.92	533,439.00
12/28/2012	4	Caza Gold Corp. - Units	228,500.00	2,285,000.00
11/23/2012 to 11/27/2012	25	Centurion Minerals Ltd. - Units	400,000.00	5,714,285.71
12/11/2012	3	Cleaver-Brooks, Inc. - Notes	15,784,359.29	3.00
11/13/2012 to 11/16/2012	3	Colwood City Centre Limited Partnership - Notes	191,250.00	191,250.00
10/29/2012 to 11/02/2012	12	Colwood City Centre Limited Partnership - Notes	737,000.00	737,000.00
10/01/2012 to 10/05/2012	32	Colwood City Centre Limited Partnership - Notes	1,502,000.00	1,502,000.00
11/05/2012 to 11/07/2012	4	Colwood City Centre Limited Partnership - Notes	255,950.00	255,950.00
05/22/2012 to 05/25/2012	14	Colwood City Centre Limited Partnership (Amended) - Notes	1,028,729.00	1,028,729.00
11/21/2012	22	Colwood City Centre Limited Partnership - Notes	1,076,500.00	1,076,500.00
12/27/2012	5	Comstock Metals Ltd. - Flow-Through Shares	1,499,999.84	7,894,736.00
12/07/2012	2	Conn's, Inc. - Common Shares	1,058,230.00	40,000.00
12/31/2012	1	Copper Reef Mining Corporation - Common Shares	60,000.00	1,000,000.00
12/31/2012	2	Copper Reef Mining Corporation - Flow-Through Units	220,000.00	2,750,000.00
11/19/2012	37	Corex Resources Ltd. - Common Shares	6,532,000.00	65,320,000.00
09/17/2012	6	Creso Exploration Inc.(amended) - Units	100,000.00	4,000,000.00
11/15/2012	40	Cross Roads Park Plaza Income Trust - Trust Units	930,600.00	8,606.00
11/19/2012	82	Difference Capital Funding Inc. - Special Warrants	13,933,750.00	39,810,698.00

**Notice of Exempt Financings**

<b>Transaction Date</b>	<b>No. of Purchasers</b>	<b>Issuer/Security</b>	<b>Total Purchase Price (\$)</b>	<b>No of Securities Distributed</b>
12/28/2012	2	Dolly Varden Silver Corporation - Common Shares	532,000.00	2,660,000.00
12/12/2012	1	Duncastle Gold Corp. - Common Shares	112,000.00	1,400,000.00
10/15/2012	29	Eagle Mountain Gold Corp. - Units	1,702,250.10	12,609,260.00
02/01/2012 to 12/01/2012	7	East West Canada Fund LP - Limited Partnership Units	3,050,000.00	N/A
08/01/2012	1	EdgeHill Multi Strategy Fund Ltd. - Common Shares	1,000,000.00	100.00
11/20/2012	16	Edgewater Wireless Systems Inc. - Common Shares	939,596.05	11,389,043.00
06/26/2012	40	EnWave Corporation - Common Shares	5,514,000.00	3,676,000.00
12/03/2012	23	Equity Solar Inc. - Preferred Shares	413,416.00	333,400.00
12/21/2012 to 12/24/2012	23	Erdene Resource Development Corporation - Units	999,999.74	5,782,352.00
08/10/2012	1	Estrella International Energy Services Ltd. - Common Shares	25,000,000.00	166,666,667.00
08/24/2012	30	Everton Resources Inc. (amended) - Units	1,485,000.00	18,562,500.00
08/09/2012	68	Fire River Gold Corp. - Units	5,747,134.77	88,417,458.00
11/02/2012	21	Firestone Ventures Inc. - Common Shares	455,000.00	9,100,000.00
04/10/2012 to 04/17/2012	6	First Graphite Corp. (formerly Solace Resources Corp. Amended) - Common Shares	333,799.72	819,998.00
12/19/2012	1	First National Mortgage Investment Fund - Units	9,200,000.00	N/A
12/21/2012 to 12/28/2012	29	GeoNovus Minerals Corp. - Units	389,695.00	5,794,250.00
12/19/2012	32	Gespeg Copper Resources Inc. - Units	705,000.00	800,505.00
12/21/2012	9	Ginguro Exploration Inc. - Flow-Through Units	725,000.00	5,250,000.00
05/17/2012	8	Global SeaFarms Corporation - Common Shares	13,709,337.80	88,563,689.00
11/15/2012 to 11/28/2012	1	GMO Benchmark-Free Allocation Fund-III - Units	4,929,008.31	202,085.80
11/02/2012 to 11/28/2012	1	GMO Benchmark-Free Allocation Fund-III - Units	26,935,759.99	1,100,916.40
12/07/2012 to 12/31/2012	1	GMO Developed World Equity Investment Fund PLC - Units	316,497.35	11,082.59
11/15/2012 to 12/18/2012	1	GMO Emerging Domestic Opportunities Fund-IV - Units	99,208,894.83	4,291,657.32

**Notice of Exempt Financings**

<b>Transaction Date</b>	<b>No. of Purchasers</b>	<b>Issuer/Security</b>	<b>Total Purchase Price (\$)</b>	<b>No of Securities Distributed</b>
08/31/2012	13	Goldman Sachs Capital Growth Fund- Class A - Common Shares	2,363.71	108.01
08/31/2012	13	Goldman Sachs Technology Tollkeeper Fund- Class A - Common Shares	472.73	38.51
10/16/2012	32	Goldrush Resources Ltd. (amended) - Units	500,000.00	12,500,000.00
07/19/2012	13	Graniz Mondal Inc. - Units	316,999.92	2,641,666.00
07/31/2012	20	Green Swan Capital Corp. (amended) - Units	261,440.00	2,277,000.00
01/01/2012 to 10/01/2012	9	Greenskeeper Value Fund - Units	1,487,979.86	N/A
12/06/2012	23	Greystone Real Estate Fund Inc. - Common Shares	43,368,000.00	481,321.17
10/23/2012	27	Gunpoint Exploration Ltd. - Units	1,950,000.00	3,900,000.00
01/01/2012 to 12/31/2012	14	HCP Bank Fund L.P. - Limited Partnership Units	2,210,000.00	4,460.00
01/01/2012 to 12/31/2012	2	HCP Financials Market Neutral Fund L.P. - Limited Partnership Units	650,000.00	6,500.00
10/15/2012 to 12/31/2012	1	HCP Financials Opportunities Fund L.P. - Limited Partnership Units	1,091,414.00	10,914.00
12/31/2012	1	Hemisphere GPS Inc. - Common Shares	85,200.00	120,000.00
12/19/2012	1	Honey Badger Exploration Inc. - Units	200,000.00	4,000,000.00
11/29/2012	17	International Enxco Limited - Units	2,350,000.00	4,700,000.00
08/10/2012	10	Iron Mountain Incorporation (amended) - Notes	19,602,623.09	10.00
11/07/2012	1	iStar Financial Inc. - Notes	498,600.00	N/A
11/07/2012	3	iStar Financial Inc. - Notes	35,300,880.00	N/A
11/20/2012 to 11/23/2012	65	Ivy Hall Apartments Limited Partnership - Notes	7,502,027.00	N/A
12/14/2012	58	Kane Biotech Inc. - Units	1,442,800.00	18,035,000.00
11/12/2012	7	Kensington Limited Partnership (the Partnership) - Units	160,000.00	160.00
11/20/2012	69	Klondex Mines Ltd. - Units	22,924,412.10	16,984,046.00
10/25/2012 to 10/30/2012	17	Kootenay Silver Inc. (formerly Kootenay Gold Inc.) - Units	8,253,000.00	7,860.00
11/22/2012	34	Lateral Capital Corp. - Common Shares	3,068,417.66	21,917,269.00
11/26/2012 to 11/30/2012	46	League IGW Real Estate Investment Trust - Units	2,440,406.00	2,440,406.00
11/19/2012 to 11/30/2012	53	League Opportunity Fund Ltd. - Notes	5,770,000.00	N/A



**Notice of Exempt Financings**

<b>Transaction Date</b>	<b>No. of Purchasers</b>	<b>Issuer/Security</b>	<b>Total Purchase Price (\$)</b>	<b>No of Securities Distributed</b>
12/27/2012	4	MacDonald Mines Exploration Ltd. - Flow-Through Shares	750,000.08	15,000,002.00
12/31/2012	9	Magnum Capital Corp. - Flow-Through Shares	165,000.00	1,650,000.00
12/17/2012	2	Marquest Asset Management Inc. - Common Shares	50,310.00	90.00
04/05/2012 to 04/20/2012	13	Mason Graphite Corp. - Receipts	4,930,000.00	6,162,500.00
04/05/2012 to 04/20/2012	30	Mason Graphite Corp. - Units	14,300,609.40	19,067,479.20
04/05/2012	7	Maya Gold & Silver Inc. - Common Shares	1,170,000.00	14.00
10/03/2012 to 10/09/2012	11	Mazorro Resources inc. - Units	195,000.00	3,900,000.00
12/15/2012 to 01/15/2013	7	MCF Securities Inc. - Common Shares	273,122.62	273,122.62
11/29/2012	1	McKesson Corporation - Note	2,979,000.00	1.00
08/22/2012	17	Metanor Resources Inc. - Common Shares	10,000,000.00	35,714,285.71
06/30/2012	150	Mexigold Corp. (Amended) - Common Shares	3,469,500.00	14,100,000.00
12/06/2012	5	MGM Resorts International - Notes	75,316,000.00	76,000.00
12/21/2012	102	Midland Exploration Inc. - Flow-Through Shares	2,824,748.00	N/A
07/26/2012	4	Minexco Petroleum Inc. - Common Shares	2,100,000.00	4,200,000.00
12/31/2012	31	Mustang Minerals Corp. - Flow-Through Shares	1,720,650.41	26,379,237.00
12/10/2012 to 12/19/2012	4	Newport Balanced Fund - Trust Units	73,669.49	N/A
12/20/2012 to 12/28/2012	7	Newport Balanced Fund - Trust Units	107,626.93	N/A
12/10/2012 to 12/19/2012	2	Newport Canadian Equity Fund - Trust Units	109,177.10	N/A
12/20/2012 to 12/28/2012	1	Newport Canadian Equity Fund - Trust Units	60,000.00	N/A
12/10/2012 to 12/19/2012	5	Newport Fixed Income Fund - Trust Units	450,903.36	N/A
12/20/2012 to 12/28/2012	5	Newport Fixed Income Fund - Trust Units	488,641.38	N/A
12/10/2012 to 12/19/2012	3	Newport Global Equity Fund - Trust Units	296,500.00	N/A

**Notice of Exempt Financings**

<b>Transaction Date</b>	<b>No. of Purchasers</b>	<b>Issuer/Security</b>	<b>Total Purchase Price (\$)</b>	<b>No of Securities Distributed</b>
12/10/2012 to 12/19/2012	10	Newport Yield Fund - Trust Units	377,846.00	N/A
12/20/2012 to 12/28/2012	21	Newport Yield Fund - Trust Units	525,095.28	N/A
12/13/2012	76	Northern Precious Metals 2012 Limited Partnership - Units	1,301,000.00	1,291.00
12/31/2012	5	Northfield Capital Corporation - Common Shares	225,000.00	900,000.00
11/20/2012	34	NuLegacy Gold Corporation - Units	1,319,650.00	8,797,666.00
10/18/2012 to 10/24/2012	38	Oremex Silver Inc. - Units	357,565.48	5,959,424.00
10/30/2012	19	Pancontinental Uranium Corporation - Units	668,399.85	11,111,111.00
12/12/2012 to 12/21/2012	18	Phoenix Capital Fund - US - Trust Units	320,730.00	N/A
12/14/2012	1	Prince Mineral Holding Corp. - Note	968,514.40	1.00
09/20/2012	16	Protocol Biomass Corp. - Debentures	685,000.00	685,000.00
12/06/2012	8	PVH Corp. - Notes	20,711,900.00	8.00
12/31/2012	1	RediShred Capital Corp. - Debenture	50,000.00	1.00
12/18/2012	1	Regal Beloit Corporation - Common Share	66,330.00	1.00
12/13/2012	1	Regal Beloit Corporation - Common Share	1,649,372.50	1.00
11/26/2012	10	Rio Silver Inc. - Flow-Through Shares	300,000.00	2,000,000.00
12/31/2012	6	Rockland Minerals Corp. - Flow-Through Units	53,530.00	802,857.00
11/23/2012	16	Saguaro Resources Ltd. - Common Shares	1,310,500.00	655,250.00
11/07/2012	1	Sanfield Limited Partnership - Limited Partnership Units	2,000,000.00	200,000.00
11/29/2012	1	Saratoga Resources, Inc. - Note	2,979,000.00	1.00
11/05/2012	10	SearchGold Resources Inc. - Units	215,000.00	4,300,000.00
12/11/2012	1	Sector Re V Ltd - Note	4,933,500.00	1.00
12/05/2012 to 12/13/2012	37	SIF Capital Canada Inc. - Debentures	681,800.00	37.00
12/19/2012	6	Silver Bay Realty Trust Corp. - Common Shares	29,204,450.00	6.00
12/13/2012	2	Silver II Borrower S.C.A./Silver II US Holdings, LLC - Notes	2,205,000.00	2.00

**Notice of Exempt Financings**

<b>Transaction Date</b>	<b>No. of Purchasers</b>	<b>Issuer/Security</b>	<b>Total Purchase Price (\$)</b>	<b>No of Securities Distributed</b>
07/02/2012	8	Skyline Commercial Real Estate Investment Trust (amended) - Units	420,000.00	42,000.00
11/14/2012	55	Solar Flow-Through 2012-I Limited Partnership (the "L.P.") - Units	2,027,000.00	20,270.00
12/02/2009 to 09/19/2012	12	Spartan Bioscience Inc. - Common Shares	1,151,950.89	1,562,051.00
12/17/2012	1	Spectra Energy Corp. - Common Shares	3,291,250.00	12,800,000.00
12/07/2012	5	Steamboat Ventures V, L.P. - Limited Partnership Interest	25,466,750.00	N/A
10/16/2012	1	St. Augustine Gold and Copper Limited - Investment Trust Interests	4,593,750.00	25,000,000.00
05/17/2012	33	Super Nova Minerals Corp. - Common Shares	156,250.00	1,562,500.00
12/18/2012	1	Taminco Acquisition Corporation - Note	970,200.00	1.00
11/22/2012	1	Temex Resources Corp. - Common Shares	0.00	5,000,000.00
12/12/2012	3	Tempur-Pedic International Inc. - Notes	3,547,440.00	3,600.00
12/31/2012	1	Tempus Capital Inc. - Common Shares	60,000.00	800,000.00
12/04/2012	4	The Royal Bank of Scotland Group plc. - Notes	14,879,034.00	4.00
12/07/2012	1	Tops Holdings Corporation and Tops Markets, LLC - Notes	22,252,500.00	22,500.00
12/14/2012	1	Unitymedia Hessen GmbH & Co. KG and Unitymedia NRW GmbH - Note	18,734,000.00	1.00
01/02/2013	1	Victory Gold Mines Inc. - Common Shares	17,160.00	85,800.00
12/27/2012 to 12/31/2012	21	Viking Gold Exploration Inc. - Flow-Through Units	147,300.00	800,000.00
12/27/2012 to 12/31/2012	1	Viking Gold Exploration Inc. - Units	50,000.00	500,000.00
12/10/2012	3	Volcano Corporation - Notes	12,833,600.00	3.00
12/19/2012	3	VSS Communications Parallel Partners IV, L.P. - Limited Partnership Interest	590,914.00	599,244.00
12/15/2012	2	Woodlands Biofuels Inc. - Preferred Shares	1,000,000.00	909,091.00
12/03/2012	3	Zecotek Photonics Inc. - Units	339,999.84	944,444.00
12/13/2012	8	Zorzal Incorporated - Common Shares	113,944.00	189,906.00

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## Chapter 11

# IPOs, New Issues and Secondary Financings

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**Issuer Name:**

American Hotel Income Properties REIT LP  
Principal Regulator - British Columbia

**Type and Date:**

Preliminary Long Form Prospectus dated  
NP 11-202 Receipt dated

**Offering Price and Description:**

-

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

-

**Project #**2005794

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**Issuer Name:**

Aurania Resources Ltd.  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Long Form Prospectus dated January 11, 2013  
NP 11-202 Receipt dated January 14, 2013

**Offering Price and Description:**

\$\* - \* Common Shares

\$\* per Common Share

and

Distribution of 776,862 Common Shares issuable upon the  
conversion of 776,862 previously issued Special Warrants  
Price: \$0.40 per Special Warrant

**Underwriter(s) or Distributor(s):**

Maison Placements Canada Inc.

**Promoter(s):**

Keith M. Barron

**Project #**2005365

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**Issuer Name:**

Giant Exploration Inc.  
Principal Regulator - British Columbia

**Type and Date:**

Amended and Restated Long Form Prospectus dated  
January 7, 2013 amending and restating the Long Form  
Prospectus dated October 10, 2012  
NP 11-202 Receipt dated January 10, 2013

**Offering Price and Description:**

\$1,145,000.00 OF UNITS AND FLOW-THROUGH  
SHARES (MINIMUM OFFERING)

\$3,500,000.00 OF UNITS AND FLOW-THROUGH  
SHARES (MAXIMUM OFFERING)

PRICE: \$0.15 PER UNIT

PRICE: \$0.20 PER FLOWTHROUGH SHARE

**Underwriter(s) or Distributor(s):**

Jones, Gable & Company Limited

**Promoter(s):**

David A Stadnyk

George Tsafalas

**Project #**1932431

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**Issuer Name:**

iShares S&P Global Consumer Discretionary Index Fund  
(CAD-Hedged)

iShares S&P Global Industrials Index Fund (CAD-Hedged)

Principal Regulator - Ontario

**Type and Date:**

Preliminary Long Form Prospectus dated January 14, 2013  
NP 11-202 Receipt dated January 14, 2013

**Offering Price and Description:**

Units

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

-

**Project #**2005602

**Issuer Name:**

Nobel Real Estate Investment Trust  
Principal Regulator - Quebec

**Type and Date:**

Amended and Restated Preliminary Long Form Prospectus  
dated January 11, 2013

NP 11-202 Receipt dated January 14, 2013

**Offering Price and Description:**

\$5,600,000.00 -22,400,000 Units

Price: \$0.25 Per Unit

**Underwriter(s) or Distributor(s):**

Desjardins Securities Inc.  
National Bank Financial Inc.  
Scotia Capital Inc.

**Promoter(s):**

Capital Nobel Inc.

**Project #2000424**

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**Issuer Name:**

O'Leary Canadian Bond Yield Advantaged Class  
Principal Regulator - Quebec

**Type and Date:**

Preliminary Simplified Prospectus dated January 7, 2013

NP 11-202 Receipt dated January 9, 2013

**Offering Price and Description:**

Series A, F, H, I and M

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

O'Leary Funds Management L.P.

**Project #2004301**

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**Issuer Name:**

True North Apartment Real Estate Investment Trust  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Short Form Prospectus dated January 11, 2013

NP 11-202 Receipt dated January 11, 2013

**Offering Price and Description:**

\$55,480,000.00 - 13,870,000 Subscription Receipts each  
representing the right to receive one Unit

Price: \$4.00 per Subscription Receipt

**Underwriter(s) or Distributor(s):**

CIBC WORLD MARKETS INC.  
RAYMOND JAMES LTD.  
TD SECURITIES INC.  
NATIONAL BANK FINANCIAL INC.  
BMO NESBITT BURNS INC.  
GMP SECURITIES L.P.  
SCOTIA CAPITAL INC.  
CANACCORD GENUITY CORP.  
DESJARDINS SECURITIES INC.  
DUNDEE SECURITIES LTD.

**Promoter(s):**

STARLIGHT INVESTMENTS LTD.

**Project #2005260**

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**Issuer Name:**

First Asset DEX Provincial Bond Index ETF  
Principal Regulator - Ontario

**Type and Date:**

Long Form Prospectus dated January 3, 2013

NP 11-202 Receipt dated January 8, 2013

**Offering Price and Description:**

Common Units and Advisor Class Units @ Net Asset Value

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

First Asset Investment Management Inc.

**Project #1962704**

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**Issuer Name:**

Horizons Active S&P/TSX 60 Index Covered Call ETF  
Principal Regulator - Ontario

**Type and Date:**

Long Form Prospectus dated January 4, 2013

NP 11-202 Receipt dated January 8, 2013

**Offering Price and Description:**

Class E Units and Advisor Class Units

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

AlphaPro Management Inc.

**Project #1988741**

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**Issuer Name:**

Horizons Enhanced Income Energy ETF  
Horizons Enhanced Income Equity ETF  
Horizons Enhanced Income Financials ETF  
Horizons Enhanced Income Gold Producers ETF  
Horizons Enhanced Income International Equity ETF  
Horizons Enhanced Income US Equity (USD) ETF  
Principal Regulator - Ontario

**Type and Date:**

Amended and Restated Long Form Prospectus dated  
January 4, 2013 amending and restating the Amended and  
Restated Long Form Prospectus dated July 27, 2012  
amending and restating the Long Form Prospectus dated  
March 16, 2012.

NP 11-202 Receipt dated January 8, 2013

**Offering Price and Description:**

Class E Units and Advisor Class Units

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

ALPHAPRO MANAGEMENT INC.

**Project #1856438**

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**Issuer Name:**

Horizons Enhanced US Equity Income ETF  
Principal Regulator - Ontario

**Type and Date:**

Amended and Restated Long Form Prospectus dated  
January 4, 2013 amending and restating the Long Form  
Prospectus dated July 27, 2012  
NP 11-202 Receipt dated January 8, 2013

**Offering Price and Description:**

Class E Units and Advisor Class Units

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

ALPHAPRO MANAGEMENT INC.

Project #1930092

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## Chapter 12

# Registrations

### 12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Voluntary Surrender	Saratoga Finance Inc.	Exempt Market Dealer	October 31, 2012
Voluntary Surrender	UP Securities Ltd.	Exempt Market Dealer	December 6, 2012
Voluntary Surrender	Union Securities Ltd.	Investment Dealer	December 24, 2012
Amalgamation	Mackie Research Capital Corporation and NCP Northland Capital Partners Inc.  to form  Mackie Research Capital Corporation.	Investment Dealer	January 1, 2013
Change in registration category	ACM Advisors Ltd.	From: Exempt Market Dealer  To: Exempt Market Dealer and Investment Fund Manager	January 8, 2013
New Registration	RDA Capital Inc.	Exempt Market Dealer and Investment Fund Manager	January 8, 2013
Name Change	From: I3 Advisors Inc.  To: BNY Mellon Wealth Management, Advisory Services, Inc.	Investment Fund Manager, Portfolio Manager and Exempt Market Dealer	January 8, 2013
Change in registration category	Seamark Asset Management Ltd.	From: Exempt Market Dealer and Portfolio Manager  To: Exempt Market Dealer,	January 9, 2013

**Registrations**

		Portfolio Manager and Investment Fund Manager	
Change in registration category	Antares Investment Management, Inc.	From: Portfolio Manager To: Portfolio Manager and Investment Fund Manager	January 14, 2013
Change in registration category	Sherpa Asset Management Inc.	From: Exempt Market Dealer and Portfolio Manager To: Exempt Market Dealer, Portfolio Manager and Investment Fund Manager	January 14, 2013
New Registration	Frontfour Capital Corp.	Exempt Market Dealer	January 15, 2013

## Chapter 13

# SROs, Marketplaces and Clearing Agencies

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### 13.1 SROs

#### 13.1.1 OSC Staff Notice of Approval – IIROC Housekeeping Amendments to IFRS version of Form 1

##### OSC STAFF NOTICE OF COMMISSION APPROVAL

##### INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA HOUSEKEEPING AMENDMENTS TO IFRS VERSION OF FORM 1

The Ontario Securities Commission approved the IIROC's housekeeping amendments to the International Financial Reporting Standards (IFRS) version of Form 1 to amend the standard independent auditor's reports and make other non-material changes throughout Form 1. The Alberta Securities Commission, the Autorité des marchés financiers, the Newfoundland and Labrador Securities Division, the New Brunswick Securities Commission, the Nova Scotia Securities Commission and the Saskatchewan Financial Services Commission also approved the amendments. The British Columbia Securities Commission did not object to the amendments.

The objective of the amendments to the standard independent auditor's reports that are used in the filing of IFRS-based version of Form 1 is to reflect the end of the first year transitional relief from providing comparative financial information. The relief was given to Dealer Members when the IFRS version was implemented.

The remaining amendments reflect corrections of non-material, unintentional editorial mistakes and references throughout the IFRS version of Form 1.

A copy of the IIROC Notice is attached as Appendix A, including the amended Forms.

**Amendments to IFRS version of Form 1**

On November 28, 2012, the Board of Directors (the Board) of the Investment Industry Regulatory Organization of Canada (IIROC) approved the proposed amendments to the International Financial Reporting Standards (IFRS) version of Form 1 to amend the standard independent auditor's reports and make minor clarification changes throughout Form 1. The amendments are classified as "Housekeeping Rules" and are effective for reporting periods ending on or after December 31, 2012.

**Summary of the nature and purpose of the amendments**

The proposed amendments to the standard independent auditor's reports within the IFRS version of Form 1 were developed jointly by IIROC's Brokers Auditor Committee and IIROC staff and reflect the end of the first year transitional relief (from providing certain comparative financial information) given to Dealer Members when the IFRS version of Form 1 was implemented.

IIROC staff has classified the amendments as "housekeeping", because they are reasonably necessary to ensure that IIROC's Rules conform to applicable securities legislation, statutory or legal requirements; in this case the Canadian Auditing Standards used by Chartered Accountants in the performance of financial statement audits.

The remaining proposed amendments that make minor clarification changes throughout the IFRS version of Form 1 were also classified as "housekeeping" by IIROC staff, because they:

- correct typographical mistakes and inaccurate cross referencing;
- make stylistic or formatting changes to headings or paragraph numbers; and/or
- make other minor changes of an editorial nature (such as standardization of terminology) that otherwise should have been made when IFRS was first adopted

The following are the proposed housekeeping amendments to the IFRS version of Form 1:

a) *Independent Auditor's Reports and Notes and Instructions to the Independent Auditor's Reports*

- (i) *Adding the prior year's date to the Independent Auditor's Reports:* The purpose of the proposed change to the Independent Auditor's Reports is to reflect the end of the one year transitional relief given for the filing of the IFRS version of Form 1. This relief was an IIROC prescribed IFRS departure, in which IIROC did not require the inclusion of certain comparative prior year financial information. For subsequent Form 1 filings, audited comparative prior year financial information will be required to be included in the Form 1 filing and the independent auditor's reports will now refer to this comparative information.
- (ii) *Removing the "Going Concern" section:* The purpose of the proposed change to the Independent Auditor's Report is to more clearly reflect that this section is an example of an "Emphasis of Matter"<sup>1</sup> paragraph and is not part of the standard Independent Auditor's Report. If such an Emphasis of Matter paragraph or "Other Matter" paragraph is required to be included in the Independent Auditor's Report under the Canadian Auditing Standards or determined appropriate by the independent auditor, the wording of such Matter paragraph will be determined by the independent auditor before the filing of the audited Form 1.

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<sup>1</sup> An "Emphasis of Matter" paragraph in the independent auditor's report means additional information that is provided by the auditor that he or she believes in their professional judgement is necessary to draw to the financial statements user's attention to a matter presented or disclosed in the financial statements that is of such importance that it is fundamental to the user's understanding of the financial statements. In order to include an "Emphasis of Matter" paragraph, the auditor must obtain sufficient appropriate audit evidence that the matter is not materially misstated in the financial statements.

- (iii) *Removing the reference to “Alternate forms of Auditor’s Reports” within the Notes and Instructions to the Independent Auditor’s Reports:* The purpose of the proposed change to the Notes and Instructions to the Independent Auditor’s Reports is to reflect that IIROC no longer includes alternate forms of Independent Auditor’s Reports on the internet site that houses the electronic version of Form 1, known as the Securities Industry Regulatory Financial Filings system or SIRFF.
- (iv) *Adding Schedule 13A and removing Schedule 15 from the “Unaudited Information” section of the Independent Auditor’s Report for Statements A, E and F to Form 1:* The purpose of the proposed changes is to more clearly identify in the “Independent Auditor’s Report for Statements A, E and F” the Schedules that are not audited by the Dealer Member’s independent auditor, but which are essential for regulatory purposes and must make up part of the audited Form 1 submission to IIROC. Currently in this Independent Auditor’s Report under the heading “Unaudited Information”, Schedules 13 and 15 are specified. The proposed changes would: add Schedule 13A (Early Warning Tests - Level 2), which although it is an unaudited Schedule, is essential for regulatory purposes; and remove Schedule 15 (Supplemental Information), which is not essential for regulatory purposes as it contains supplementary information that is a remnant from the reporting requirements of the old Quarterly Operational Questionnaire (QOQ).

b) *Table of Contents*

- (i) *Identifying the differences between the Table of Contents of Form 1 and Table of Contents of an audited Form 1:* The purpose of the proposed change is to identify within the Table of Contents of Form 1 which statements, schedules and certificates are not part of the audited Form 1 submission to IIROC and that those identified documents will be suppressed.

The proposed change will add notes within the Table of Contents of Form 1 to identify that the three documents—“Separate Certificate of UDP and CFO on Statement G of Part 1”, “Statement G (Opening IFRS statement of financial position and reconciliation of equity)” and “Schedule 15 (Supplementary information)” —will not be part of the electronic and hard copy version of an audited Form 1 and that the names of these suppressed documents will not appear on the accompanying Table of Contents of an audited Form 1.

The “Separate Certificate of UDP and CFO on Statement G of Part 1” and “Statement G (Opening IFRS statement of financial position and reconciliation of equity)” are submitted as part of a Dealer Member’s first monthly financial report (MFR) filing under IFRS and are not audited by the Dealer Member’s independent auditor. They do not form part of the audited Form 1 submission. In addition, Schedule 15 is not audited by the Dealer Member’s independent auditor and not essential for regulatory purposes as it contains supplementary information that is a remnant from the reporting requirements of the old Quarterly Operational Questionnaire (QOQ).

c) *General Notes and Definitions*

- (i) *Adding one-time transitional relief as a separate prescribed IFRS departure in the General Notes and Definitions to Form 1:* The purpose of the proposed change is to provide Dealer Members with greater clarity about the one-time transitional relief from IFRS 1 requirements that IIROC allows. The proposed change to Note 2 would add “One-time transitional relief” as a separate prescribed IFRS departure, remove it from within the current “Presentation” prescribed IFRS departure, and describe in more detail the one-time transitional relief items that are not required by IIROC for a Dealer Member’s first IFRS-based Form 1. The added description would specify that IIROC does not require the opening IFRS balance sheet to be part of the first IFRS-based Form 1 and does not require the reconciliation between Canadian GAAP<sup>2</sup> and the opening IFRS balance sheet as part of the notes to the first IFRS-based Form 1.

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<sup>2</sup> GAAP stands for “generally accepted accounting principles”.

d) *Notes and Instructions to the Certificate of UDP and CFO*

*Removing the inference regarding a CFO in the Notes and Instructions to the Certificate of UDP and CFO of Form 1:* The purpose of the proposed change is to remove the inference in Note 2 of the Notes and Instructions to the Certificate of UDP and CFO of Form 1 that in certain circumstances a chief financial officer (CFO) is not an Executive. A CFO is an Executive of a Dealer Member pursuant to the definition of the term "Executive" set out in Dealer Member Rule 1.1, regardless of whether he or she works full-time or part-time. The proposed change is to remove the words "if the CFO is not an executive or" in Note 2 of the Notes and Instructions to the Certificate of UDP and CFO of Form 1.

e) *Statements A (Statement of Financial Position), B (Statement of net allowable assets and risk adjusted capital), C (Statement of early warning excess and early warning reserve) and G (Opening IFRS statement of financial position and reconciliation of equity), and the Notes and Instructions to Statements B and C and the Notes and Instructions to Schedule 14 (Provider of capital concentration charge)*

*Renaming the line item "Finance leases - leasehold inducements" to "Non-refundable leasehold inducements" on Statements A, B, C and G, and the Notes and Instructions to Statements B and C and the Notes and Instructions to Schedule 14:* The purpose of the proposed changes is to clarify that a non-refundable leasehold inducement under either a finance lease or an operating lease qualifies as regulatory capital for a Dealer Member when the Dealer Member's landlord writes a non-refundable leasehold inducement cheque to the Dealer Member for the leased premises and the Dealer Member has no additional liability related to the inducement received.

f) *Schedule 13A (Early warning tests - Level 2)*

(i) *Renaming Line item "D. PROFITABILITY TEST #1" as "D. PROFITABILITY TEST #2" on Schedule 13A:* The purpose of the proposed change is to correct an unintentional name change of this Line item when the IFRS version of Form 1 was first implemented.

g) *Statement E (Statement of income and comprehensive income) and the Notes and Instructions to Statement E*

*Replacing the word "year" with "period" in Statement E (Statement of income and comprehensive income) and the Notes and Instructions to Statement E:* The purpose of the proposed change is to better accommodate monthly financial report (MFR) filings as the word "period" could be used for the month that is being reported on or for the year that is being reported on.

h) *Schedule 11A (Details of unhedged foreign currencies calculation for individual currencies with margin required greater than or equal to \$5,000)*

*Removing the sub-headers "C\$'000" on Schedule 11A:* The purpose of the proposed changes are to correct the unintended addition of the sub-headers "C\$'000", when the Schedule was amended to adopt IFRS. The sub-headers "C\$'000" would be deleted.

i) *Schedule 14 (Provider of Capital Concentration Charge)*

*Adding the name of the provider of capital to Schedule 14 (Provider of Capital Concentration Charge) of Form 1:* The purpose of the proposed change is to more easily identify a Dealer Member's provider of capital on the Schedule, because there could be circumstances where a Dealer Member has more than one provider of capital. The proposed change would add a field on Schedule 14 to disclose the name of the provider of capital.

The following supporting documents for the housekeeping amendments to the IFRS version of Form 1 are attached:

Attachment A - Board resolution approving the implementation of the proposed amendments to IFRS version of Form 1

Attachment B - Proposed amendments to IFRS version of Form 1

Attachment C - Black-line copy of the proposed amendments to IFRS version of Form 1

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AMENDMENTS TO IFRS VERSION OF IIROC FORM 1

BOARD RESOLUTION

BE IT RESOLVED ON THIS 28TH DAY OF NOVEMBER, 2012 THAT:

1. The English and French versions of the proposed amendments to the IFRS version of IIROC Form 1, in the form presented to the Board of Directors (the "Board"):
  - (a) be approved for implementation as a "Housekeeping Rule" for the purposes of the Joint Rule Review Protocol for IIROC;
  - (b) be determined to be in the public interest;
  - (c) the President be authorized to approve such non-material changes to the proposed amendments as may be necessary in securing the approval of the Recognizing Regulators under the Joint Rule Review Protocol for IIROC, such approval to constitute final approval by the Board of the proposed amendments; and
  - (d) in the event a Recognizing Regulator provides a notice of disagreement with the classification of the proposed amendments as a "Housekeeping Rule":
    - (i) be approved for publication for public comment for 30 days;
    - (ii) be brought back to the Board for approval in final form if there are material changes to the proposed amendments resulting from the comments of the public or the Recognizing Regulators; and
    - (iii) the President be authorized to approve such non-material changes to the proposed amendments resulting from the public comments or as may be necessary in securing the approval of the Recognizing Regulators under the Joint Rule Review Protocol for IIROC, such approval to constitute final approval by the Board of the proposed amendments.



## INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

## AMENDMENTS TO IFRS VERSION OF IIROC FORM 1

## PROPOSED AMENDMENTS

1. The IFRS version of Form 1 is amended by making the following changes to the Independent Auditor's Report for Statements A, E and F:
  - (a) Replacing the word "the" with the word "of" after the words "which comprise";
  - (b) Replacing the words "statement of financial position (Statement A) as at (date) and the statement of income and comprehensive Income (Statement E) and statement of changes in capital and retained earnings (Statement F) for the year then ended (date)" with the words "Statement A - Statement of financial position as at (date) and (date)", "Statement E - Statement of income and comprehensive income for the years ended (date) and (date)" and "Statement F - Statement of changes in capital for the year ended (date) and changes in retained earnings for the years ended (date) and (date)";
  - (c) Adding the words "in our audit" after the words "We believe that the audit evidence we have obtained" under the "Auditor's responsibility" section;
  - (d) Adding the words "and (date)" immediately before the words "and the results of its operations" under the "Opinion" section;
  - (e) Replacing the word "year" with the word "years" after the words "the results of its operations for the";
  - (f) Deleting the entire "Going Concern" section;
  - (g) Replacing the word "Corporation" with the words "Investment Industry Regulatory Organization of Canada" before the words "prior to the filing of Form 1"; and
  - (h) Replacing the number "15" with the number and alphabet "13A" after the words "in Schedules 13 and".
2. The IFRS version of Form 1 is amended by making the following changes to the Independent Auditor's Report for Statements B, C and D:
  - (a) Replacing the words ", as at" with the words "which comprise of:" after the words "audited the accompanying Statements of Form 1(the "Statements") of (Dealer Member)";
  - (b) Replacing the words "Statement B – Statement of Net Allowable Assets and Risk Adjusted Capital", "Statement C – Statement of Early Warning Excess and Early Warning Reserve" and "Statement D – Statement of Free Credit Segregation Amount" with the words "Statement B - Statement of net allowable assets and risk adjusted capital as at (date) and (date)", "Statement C - Statement of early warning excess and early warning reserve as at (date)" and "Statement D - Statement of free credit segregation amount as at (date)" before the sentence "These Statements have been prepared by management based on the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.";
  - (c) Adding the words "in our audit" after the words "We believe that the audit evidence we have obtained" under the "Auditor's responsibility" section; and

- (d) Replacing the sentence “In our opinion, the financial information in Statements B, C and D of Form 1 as at (year end) is prepared, in all material respects, in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.” with the sentence “In our opinion, the financial information in Statement B as at (date) and (date), Statements C and D as at (date) is prepared, in all material respects, in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.”.
3. The IFRS version of Form 1 is amended by making the following changes to the Notes and Instructions to the Independent Auditor’s Reports:
- (a) Deleting the sentence “Alternate forms of Auditor’s Reports are available online from within the web-based Securities Industry Regulatory Financial Filings system (SIRFF).”; and
  - (b) Replacing the word “Corporation” with the words “Investment Industry Regulatory Organization of Canada” in three sentences.
4. The IFRS version of Form 1 is amended by making the following changes to the Table of Contents:
- (a) Adding the superscript “1” after the title “SEPARATE CERTIFICATE OF UDP AND CFO ON STATEMENT G OF PART I” for Note 1;
  - (b) Adding the words “Note 1: The “Separate Certificate of UDP and CFO on Statement G of Part I” is not part of an audited Form 1 submission and the name of this certificate will not appear in the “Table of Contents” on the electronic or hardcopy version of an audited Form 1 submission.”;
  - (c) Adding the superscript “2” after the title “Opening IFRS statement of financial position and reconciliation of equity” for Note 2;
  - (d) Adding the words “Note 2: “Statement G, Opening IFRS statement of financial position and reconciliation of equity”, is not part of an audited Form 1 submission and the name of this statement will not appear in the Table of Contents on the electronic or hardcopy version of an audited Form 1 submission.”;
  - (e) Replacing the superscript “\*” with the superscript “3” for Note 3;
  - (f) Replacing the word “\* Note” with the word “Note 3”;
  - (g) Adding the superscript “4” after the title “Supplementary Information” for Note 4; and
  - (h) Adding the words “Note 4: “Schedule 15, Supplementary information”, is not part of an audited Form 1 submission and the name of this schedule will not appear in the “Table of Contents” on the electronic or hardcopy version of an audited Form 1 submission.”.
5. The IFRS version of Form 1 is amended by making the following changes to the General Notes and Definitions:
- (a) Adding the words “One-time transitional relief” as a separate subsection within Note 2 (Prescribed IFRS departure);
  - (b) Adding the sentences “As a one-time transitional relief for the first Form 1 prepared under the basis of IFRS with prescribed departures and prescribed accounting treatments, the Corporation does not require comparative financial data. In addition, the Corporation does not require the opening IFRS balance sheet as part of the first Form 1 prepared under the basis of IFRS with prescribed departures and prescribed accounting treatments. And as such, the Dealer Member is not required to provide the reconciliation between

previous Canadian GAAP and IFRS. The Corporation requires that the preparation of the opening balance sheet is as at the conversion date (the first day of the first fiscal year under IFRS). A Dealer Member will file the opening balance sheet as Statement G and as stipulated by the Corporation, which is prior to the filing of the first monthly financial report (MFR) prepared under IFRS with prescribed departures and prescribed accounting treatments.” within the “One-time transitional relief” subsection; and

- (c) Deleting the sentences “As a one-time transitional relief for the first Form 1 prepared under the basis of IFRS with prescribed departures and prescribed accounting treatments, the Corporation does not require comparative financial data. As such, the preparation of the opening balance sheet is as at the conversion date (the first day of the first fiscal year under IFRS). A Dealer Member will file the opening balance sheet as Statement G and as stipulated by the Corporation, which is prior to the filing of the first monthly financial report (MFR) prepared under IFRS with prescribed departures and prescribed accounting treatments.” within the “Presentation” subsection of Note 2 (Prescribed IFRS departure).
6. The IFRS version of Form 1 is amended by making the following change to the Notes and Instructions to the Certificate of UDP and CFO:
- (a) Deleting the words “if the CFO is not an executive or” in part (c) of Note 2; and
  - (b) Replacing the word “one” with the words “the same person” after the words “if the UDP and CFO are” in part (c) of Note 2.
7. The IFRS version of Form 1 is amended by making the following change to Statement A (Statement of Financial Position):
- (a) Renaming Line 65 “Finance leases – leasehold inducements” to “Non-refundable leasehold inducements”.
8. The IFRS version of Form 1 is amended by making the following change to Statement B (Statement of Net Allowable Assets and Risk Adjusted Capital):
- (a) Renaming Line 2 “Finance leases – leasehold inducements” to “Non-refundable leasehold inducements”.
9. The IFRS version of Form 1 is amended by making the following changes to the Notes and Instructions to Statement B (Statement of Net Allowable Assets and Risk Adjusted Capital):
- (a) Renaming part of the title of note to Line 2 “finance leases – lease hold inducements” to “non-refundable leasehold inducements”; and
  - (b) Deleting the word “finance” after the words “the non-current portion of the” in the note to Line 2.
10. The IFRS version of Form 1 is amended by making the following change to Statement C (Statement of Early Warning Excess and Early Warning Reserve):
- (a) Renaming Line 7 “Less: Finance leases - leasehold inducements” to “Less: Non-refundable leasehold inducements”.
11. The IFRS version of Form 1 is amended by making the following changes to the Notes and Instructions to Statement C (Statement of Early Warning Excess and Early Warning Reserve):
- (a) Deleting the word “finance” before the words “lease liabilities - leasehold inducements” in the note to Line 5.
12. The IFRS version of Form 1 is amended by making the following change to Statement E (Statement of Income and Comprehensive Income):

- (a) Replacing the word “year” with the word “period” on Lines 29, 41 and 42.
13. The IFRS version of Form 1 is amended by making the following change to the Notes and Instructions to Statement E (Statement of Income and Comprehensive Income):
  - (a) Replacing the word “year” with the word “period” within Notes 28, 29 and 37.
14. The IFRS version of Form 1 is amended by making the following change to Statement G (Opening IFRS Statement of Financial Position and Reconciliation of Equity):
  - (a) Renaming the line item “Finance leases – leasehold inducements” to “Non-refundable leasehold inducements”.
15. The IFRS version of Form 1 is amended by making the following changes to Schedule 11A (Details of Unhedged Foreign Currencies Calculation for Individual Currencies with Margin Required Greater than or equal to \$5,000):
  - (a) Deleting the sub-heading “C\$’000” under the headings “Amount”, “Weighted Value” and “Margin Required”.
16. The IFRS version of Form 1 is amended by making the following change to Schedule 13A (Early Warning Tests - Level 2):
  - (a) Renaming the Line item “D. PROFITABILITY TEST #1” to “D. PROFITABILITY TEST #2”.
17. The IFRS version of Form 1 is amended by making the following change to Schedule 14 (Provider of Capital Concentration Charge):
  - (a) Adding the sub-heading “Name of Provider of Capital” below the heading “PROVIDER OF CAPITAL CONCENTRATION CHARGE”.
18. The IFRS version of Form 1 is amended by making the following change to the Notes and Instructions to Schedule 14 (Provider of Capital Concentration Charge):
  - (a) Renaming the line item “Finance leases – leasehold inducements (Statement A, Line 65)” to “Non-refundable leasehold inducements (Statement A, Line 65)” in note 2.

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**

**AMENDMENTS TO IFRS VERSION OF IIROC FORM 1**

**BLACK-LINE COPY OF THE PROPOSED AMENDMENTS**

1. The proposed amendments to amend the standard independent auditor's reports within the IFRS version of Form 1.

## FORM 1 – INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS A, E AND F

**To: Investment Industry Regulatory Organization of Canada and Canadian Investor Protection Fund**

We have audited the accompanying Statements of \_\_\_\_\_, which comprise the of:  
 \_\_\_\_\_  
 (Dealer Member)  
 statement of financial position (Statement A) as at \_\_\_\_\_ and the statement of  
 \_\_\_\_\_  
 (date)  
 income and comprehensive income (Statement E) and statement of changes in capital and retained earnings (Statement F)  
 for the year then ended \_\_\_\_\_  
 \_\_\_\_\_  
 (date)  
Statement A - Statement of financial position as at  
 \_\_\_\_\_ and \_\_\_\_\_  
 (date) (date)  
Statement E - Statement of income and comprehensive income for the years ended  
 \_\_\_\_\_ and \_\_\_\_\_  
 (date) (date)  
Statement F - Statement of changes in capital for the year ended  
 \_\_\_\_\_ and changes in retained earnings for the years ended  
 (date) \_\_\_\_\_  
 \_\_\_\_\_ and \_\_\_\_\_  
 (date) (date)

and a summary of significant accounting policies and other explanatory information. These Statements have been prepared by management based on the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

#### Management's responsibility for the Statements

Management is responsible for the preparation and fair presentation of these Statements in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these Statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Dealer Member's preparation and fair presentation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer Member's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

## FORM 1 – INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS A, E AND F

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the Statements present fairly, in all material respects, the financial position of \_\_\_\_\_ (Dealer Member) \_\_\_\_\_ and the results of its operations for the ~~year~~ years as at \_\_\_\_\_ and \_\_\_\_\_ years (date) (date) then ended in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

## Going Concern

~~[Note: SIRFF to allow for auditor to include emphasis of matter paragraph for Going concern – this is an option for auditors but not part of the standard report]~~

~~Without modifying our opinion, we draw attention to Note \_\_\_\_\_ in the Statements which indicates that (note) incurred a net loss of \_\_\_\_\_ (Dealer Member) (\$ amount) during the year ended \_\_\_\_\_ and, as of that date, \_\_\_\_\_ (date) (Dealer Member's) current liabilities exceeded its total assets by \_\_\_\_\_ . These conditions, along with other matters as set forth in Note \_\_\_\_\_, indicate the existence of a material uncertainty that may cast significant doubt about (note) \_\_\_\_\_ ability to continue as a going concern. (Dealer Member's)~~

## Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note \_\_\_\_\_ to the Statements which describes the basis of (note) accounting. The Statements are prepared to assist \_\_\_\_\_ to meet the requirements of the (Dealer Member) Investment Industry Regulatory Organization of Canada. As a result, the Statements may not be suitable for another purpose. Our report is intended solely for \_\_\_\_\_, the Investment Industry Regulatory (Dealer Member) Organization of Canada and the Canadian Investor Protection Fund and should not be used by parties other than \_\_\_\_\_, the Investment Industry Regulatory Organization of Canada and the (Dealer Member) Canadian Investor Protection Fund.

[Note: SIRFF to allow for auditor to include other potential Emphasis of Matter and Other Matter paragraphs should one be required under the CASs or determined appropriate by the auditor to be included in the auditor's report. Such wording would be agreed upon with the ~~Corporation~~ Investment Industry Regulatory Organization of Canada prior to the filing of Form 1.]

**Unaudited Information**

We have not audited the information in Schedules 13 and ~~45~~13A of Part II of Form 1 and accordingly do not express an opinion on these schedules.

\_\_\_\_\_  
(Audit Firm)

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(date)

\_\_\_\_\_  
(address)



## FORM 1 – INDEPENDENT AUDITOR’S REPORT FOR STATEMENTS B, C AND D

To: Investment Industry Regulatory Organization of Canada and Canadian Investor Protection Fund

We have audited the accompanying Statements of Form 1 (the “Statements”) of \_\_\_\_\_  
(Dealer Member)

as at which comprise of:

Statement B - Statement of net allowable assets and risk adjusted capital as at

and

(date)

(date)

Statement C - Statement of early warning excess and early warning reserve as at

(date)

Statement D - Statement of free credit segregation amount as at

(date)

~~Statement B – Statement of Net Allowable Assets and Risk Adjusted Capital~~

~~Statement C – Statement of Early Warning Excess and Early Warning Reserve~~

~~Statement D – Statement of Free Credit Segregation Amount~~

These Statements have been prepared by management based on the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

### Management’s Responsibility for the Statements

Management is responsible for the preparation of the Statements of Form 1 in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada, and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

### Auditor’s responsibility

Our responsibility is to express an opinion on the Statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Dealer Member’s preparation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer Member’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis of our audit opinion.

## Opinion

~~In our opinion, the financial information in Statements B, C and D of Form 1 as at \_\_\_\_ (year end) \_\_\_\_ is prepared, in all material respects, in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.~~

In our opinion, the financial information in Statement B as at \_\_\_\_\_ and \_\_\_\_\_<sup>\*</sup>  
(date) (date)  
Statements C and D as at \_\_\_\_\_  
(date)  
is prepared, in all material respects, in accordance with the financial reporting provisions of the Notes and Instructions to  
Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

**FORM 1 – INDEPENDENT AUDITOR’S REPORT FOR STATEMENTS B, C AND D**

**Basis of Accounting and Restriction on Use**

Without modifying our opinion, we draw attention to Note \_\_\_\_\_ to the Statements which describes the basis of  
(note)  
accounting. The Statements are prepared to assist \_\_\_\_\_ to meet the requirements of the  
(Dealer Member)  
Investment Industry Regulatory Organization of Canada. As a result, the Statements may not be suitable for another  
purpose. Our report is intended solely for \_\_\_\_\_, the Investment Industry Regulatory  
(Dealer Member)  
Organization of Canada and the Canadian Investor Protection Fund and should not be used by parties other than  
\_\_\_\_\_, the Investment Industry Regulatory Organization of Canada and the  
(Dealer Member)  
Canadian Investor Protection Fund.

\_\_\_\_\_  
(Audit Firm)

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(date)

\_\_\_\_\_  
(address)

**FORM 1 – INDEPENDENT AUDITOR'S REPORTS  
NOTES AND INSTRUCTIONS**

A measure of uniformity in the form of the auditor's reports is desirable in order to facilitate identification of circumstances where the underlying conditions are different. Therefore, when auditors are able to express an unqualified opinion, their reports should take the form of the auditor's reports shown above.

~~Alternate forms of Auditor's Reports are available online from within the web-based Securities Industry Regulatory Financial Filings system (SIRFF).~~

Any limitations in the scope of the audit must be discussed in advance with the ~~Corporation~~[Investment Industry Regulatory Organization of Canada](#). Discretionary scope limitations will not be accepted. Any other potential emphasis of matter and other matter paragraphs in the auditor's reports must be discussed in advance with the ~~Corporation~~[Investment Industry Regulatory Organization of Canada](#).

One copy of the auditor's reports with original signatures must be provided to the ~~Corporation~~[Investment Industry Regulatory Organization of Canada](#) and another copy with original signatures must be provided to CIPF.

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**

**AMENDMENTS TO IFRS VERSION OF IIROC FORM 1**

**BLACK-LINE COPY OF THE PROPOSED AMENDMENTS**

2. The proposed amendments to make minor clarifying changes throughout the IFRS version of Form 1.

## FORM 1 - TABLE OF CONTENTS

(Dealer Member Name)	
(Date)	
GENERAL NOTES AND DEFINITIONS	<i>Updated</i> <del>Feb</del> <a href="#">Jan-</a> <del>2011</del> <a href="#">2013</a>
CERTIFICATE OF UDP AND CFO	<del>Feb</del> <a href="#">Jan-</a> <del>2011</del> <a href="#">2013</a>
SEPARATE CERTIFICATE OF UDP AND CFO ON STATEMENT G OF PART I <sup>1</sup>	Feb-2011
INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS A, E AND F [at audit date only]	<del>Feb</del> <a href="#">Jan-</a> <del>2011</del> <a href="#">2013</a>
INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS B, C AND D [at audit date only]	<del>Feb</del> <a href="#">Jan-</a> <del>2011</del> <a href="#">2013</a>
PART I	
STATEMENT	
A Statement of financial position	<del>Feb</del> <a href="#">Jan-</a> <del>2011</del> <a href="#">2013</a>
B Statement of net allowable assets and risk adjusted capital	<del>Feb</del> <a href="#">Jan-</a> <del>2011</del> <a href="#">2013</a>
C Statement of early warning excess and early warning reserve	<del>Feb</del> <a href="#">Jan-</a> <del>2011</del> <a href="#">2013</a>
D Statement of free credit segregation amount	Feb-2011
E Statement of income and comprehensive income	<del>Feb</del> <a href="#">Jan-</a> <del>2011</del> <a href="#">2013</a>
F Statement of changes in capital and retained earnings (corporations) or undivided profits (partnerships)	Feb-2011
G Opening IFRS statement of financial position and reconciliation of equity <sup>2</sup>	<del>Feb</del> <a href="#">Jan-</a> <del>2011</del> <a href="#">2013</a>
Notes to the Form 1 financial statements	Feb-2011
PART II <sup>3</sup>	
REPORT ON COMPLIANCE FOR INSURANCE, SEGREGATION OF SECURITIES, AND GUARANTEE/GUARANTOR RELATIONSHIP RELIED UPON TO REDUCE MARGIN REQUIREMENTS DURING THE YEAR	Feb-2011
SCHEDULE	
1 Analysis of loans receivable, securities borrowed and resale agreements	Feb-2011
2 Analysis of securities owned and sold short at market value	Feb-2011
2A Margin for concentration in underwriting commitments	Feb-2011
2B Underwriting issues margined at less than the normal margin rates	Feb-2011
4 Analysis of clients' trading accounts long and short	Feb-2011
4A List of ten largest value date trading balances with acceptable institutions and acceptable counterparties	Feb-2011
5 Analysis of brokers' and dealers' trading balances	Feb-2011
6 Income taxes	Feb-2011
6A Tax recoveries	<del>Feb</del> -2011
7 Analysis of overdrafts, loans, securities loaned and repurchase agreements	Feb-2011
7A Acceptable counterparties financing activities concentration charge	Feb-2011
9 Concentration of securities	Feb-2011
10 Insurance	Feb-2011

11	Unhedged foreign currencies calculation	Feb-2011
11A	Details of unhedged foreign currencies calculation for individual currencies with margin required greater than or equal to \$5,000	<del>Feb-2011</del> <a href="#">Jan-2013</a>
12	Margin on futures concentrations and deposits	Feb-2011
13	Early warning tests - Level 1	<a href="#">Feb-2011</a>
13A	Early warning tests - Level 2	<del>Feb-2011</del> <a href="#">Jan-2013</a>
14	Provider of capital concentration charge	<del>Feb-2011</del> <a href="#">Jan-2013</a>
15	Supplementary information <sup>4</sup>	Feb-2011

\* ~~Note:~~ Note 1:     The “Separate Certificate of UDP and CFO on Statement G of Part I” is not part of an audited Form 1 submission and the name of this certificate will not appear in the “Table of Contents” on the electronic or hardcopy version of an audited Form 1 submission.

Note 2: “Statement G, Opening IFRS statement of financial position and reconciliation of equity”, is not part of an audited Form 1 submission and the name of this statement will not appear in the Table of Contents on the electronic or hardcopy version of an audited Form 1 submission.

Note 3: Schedules 2C, 2D, 3, 3A, 4B, 8 and 12A have been eliminated.

Note 4: “Schedule 15, Supplementary information”, is not part of an audited Form 1 submission and the name of this schedule will not appear in the “Table of Contents” on the electronic or hardcopy version of an audited Form 1 submission.

## FORM 1 - GENERAL NOTES AND DEFINITIONS

## GENERAL NOTES:

- Each Dealer Member must comply with the requirements in Form 1 as approved and amended from time to time by the board of directors of the Investment Industry Regulatory Organization of Canada (the Corporation).

Form 1 is a special purpose report that includes financial statements and schedules, and is to be prepared in accordance with International Financial Reporting Standards (IFRS), except as prescribed by the Corporation.

Each Dealer Member must complete and file all of these statements and schedules.

The pre-IFRS changeover Joint Regulatory Financial Questionnaire and Report must be used by Dealer Members who have elected to defer the adoption of IFRS and have received written approval of the deferral from the Corporation.

- The following are Form 1 IFRS departures as prescribed by the Corporation:

	Prescribed IFRS departure
Client and broker trading balances	For client and broker trading balances, the Corporation allows the netting of receivables from and payables to the same counterparty. A Dealer Member may choose to report client and broker trading balances in accordance with IFRS.
<u>One-time transitional relief</u>	<u>As a one-time transitional relief for the first Form 1 prepared under the basis of IFRS with prescribed departures and prescribed accounting treatments, the Corporation does not require comparative financial data.</u> <u>In addition, the Corporation does not require the opening IFRS balance sheet as part of the first Form 1 prepared under the basis of IFRS with prescribed departures and prescribed accounting treatments.</u> <u>And as such, the Dealer Member is not required to provide the reconciliation between previous Canadian GAAP and IFRS.</u> <u>The Corporation requires that the preparation of the opening balance sheet is as at the conversion date (the first day of the first fiscal year under IFRS). A Dealer Member will file the opening balance sheet as Statement G and as stipulated by the Corporation, which is prior to the filing of the first monthly financial report (MFR) prepared under IFRS with prescribed departures and prescribed accounting treatments.</u>
Preferred shares	Preferred shares issued by the Dealer Member and approved by the Corporation are classified as shareholders' capital.
Presentation	Statements A and E contain terms and classifications (such as allowable and non-allowable assets) that are not defined under IFRS. For Statement E, the profit (loss) for the year on discontinued operations is presented on a pre-tax basis (as opposed to after-tax). In addition, specific balances may be classified or presented on Statements A, E and F in a manner that differs from IFRS requirements. The General Notes and Definitions, and the applicable Notes and Instructions to the Statements of Form 1, should be followed in those instances where departures from IFRS presentation exist. Statements B, C, and D are supplementary financial information, which are not statements contemplated under IFRS. <del>As a one-time transitional relief for the first Form 1 prepared under the basis of IFRS with prescribed departures and prescribed accounting treatments, the Corporation does not require comparative financial data. As such, the preparation of the opening balance sheet is as at the conversion date (the first day of the first fiscal year under IFRS). A Dealer Member will file the opening balance sheet as Statement G and as stipulated by the Corporation, which is prior to the filing of the first monthly financial report (MFR) prepared under IFRS with prescribed departures and prescribed accounting treatments.</del>



Separate financial statements on a non-consolidated basis	Consolidation of subsidiaries is not permitted for regulatory reporting purposes, except for related companies that meet the definition of a “related company” in Dealer Member Rule 1 and the Corporation has approved the consolidation. Because Statement E only reflects the operational results of the Dealer Member, a Dealer Member must not include the income (loss) of an investment accounted for by the equity method.
Statement of cash flow	A statement of cash flow is not required as part of Form 1.
Valuation	The “market value of securities” definition remains unchanged from the pre-IFRS changeover Joint Regulatory Financial Questionnaire and Report.

3. The following are Form 1 prescribed accounting treatments based on available IFRS alternatives:

	<b>Prescribed accounting treatment</b>
Hedge accounting	Hedge accounting is not permitted for regulatory reporting purposes. All security and derivative positions of a Dealer Member must be marked-to-market at the reporting date. Gains or losses of the hedge positions must not be deferred to a future point in time.
Securities owned and sold short as held-for-trading	A Dealer Member must categorize all inventory positions as held-for-trading financial instruments. These security positions must be marked-to-market. Because the Corporation does not permit the use of the available for sale and held-to-maturity categories, a Dealer Member must not include other comprehensive income (OCI) and will not have a corresponding reserve account relating to marking-to-market available for sale security positions.
Valuation of a subsidiary	A Dealer Member must value subsidiaries at cost.

4. These statements and schedules are prepared in accordance with the Dealer Member rules.
5. For purposes of these statements and schedules, the accounts of related companies that meet the definition of a “related company” in Dealer Member Rule 1 may be consolidated.
6. For the purposes of the statements and schedules, the capital calculations must be on a trade date reporting basis unless specified otherwise in the Notes and Instructions to Form 1.
7. Dealer Members may determine margin deficiencies for clients, brokers and dealers on either a settlement date basis or trade date basis. Dealer Members may also determine margin deficiencies for *acceptable institutions*, *acceptable counterparties*, regulated entities and investment counselors’ accounts as a block on either a settlement date basis or trade date basis and the remaining clients, brokers and dealer accounts on the other basis. In each case, Dealer Members must do so for all such accounts and consistently from period to period.
8. Comparative figures on all statements are only required at the audit date. As a transition exemption for the changeover to International Financial Reporting Standards (IFRS) from Canadian Generally Accepted Accounting Principles (CGAAP), Dealer Members are not required to file comparative information for the preceding financial year as part of the first audited Form 1, which is based on *IFRS except for prescribed departures and prescribed accounting treatments* stipulated in the general notes and definitions of Form 1.
9. All statements and schedules must be expressed in Canadian dollars and must be rounded to the nearest thousand.
10. Supporting details should be provided – as required - showing breakdown of any significant amounts that have not been clearly described on the statements and schedules.
11. **Mandatory security counts.** All securities except those held in segregation or safekeeping shall be counted once a month, or monthly on a cyclical basis. Those held in segregation and safekeeping must be counted once in the year in addition to the count as at the year-end audit date.

**DEFINITIONS:**

- (a) **“acceptable clearing corporation”** means any clearing agency operating a central system for clearing of securities or derivatives transactions that is subject to legislation and oversight by a central or regional government authority in the country of operation. The legislation or oversight regime must provide for or recognize the clearing agency’s powers of compliance and enforcement over its members or participants. The Corporation will maintain and regularly update a list of acceptable clearing corporations.
- (b) **“acceptable counterparties”** means those entities with whom a Dealer Member may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entities are as follows:
1. Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. subordinated debt) in excess of \$10 million and less than or equal to \$100 million to qualify, provided acceptable financial information with respect to such entities is available for inspection.
  2. Credit and central credit unions and regional caisses populaires with paid up capital and surplus or net worth (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of \$10 million and less than or equal to \$100 million, provided acceptable financial information with respect to such entities is available for inspection.
  3. Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of \$10 million and less than or equal to \$100 million, provided acceptable financial information with respect to such companies is available for inspection.
  4. Canadian provincial capital cities and all other Canadian cities and municipalities, or their equivalents, with populations of 50,000 and over.
  5. Mutual funds subject to a satisfactory regulatory regime with total net assets in the fund in excess of \$10 million.
  6. Corporations (other than regulated entities) with a minimum net worth of \$75 million on the last audited balance sheet, provided acceptable financial information with respect to such corporation is available for inspection.
  7. Trusts and limited partnerships with minimum total net assets on the last audited balance sheet in excess of \$100 million, provided acceptable financial information with respect to such trust or limited partnership is available for inspection.
  8. Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, with total net assets on the last audited balance sheet in excess of \$10 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.
  9. Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of \$15 million and less than or equal to \$150 million, provided acceptable financial information with respect to such entities is available for inspection.
  10. Foreign insurance companies subject to a satisfactory regulatory regime with paid up capital and surplus or net worth on the last audited balance sheet in excess of \$15 million, provided acceptable financial information with respect to such companies is available for inspection.

11. Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of \$15 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.
  12. Federal governments of foreign countries which do not qualify as a Basel Accord country. For the purposes of this definition, a satisfactory regulatory regime will be one within Basel Accord countries. Subsidiaries (excluding regulated entities) whose business falls in the category of any of the above enterprises and whose parent or affiliate qualifies as an acceptable counterparty may also be considered as an acceptable counterparty if the parent or affiliate provides a written unconditional irrevocable guarantee, subject to approval by the Corporation.
- (c) **“acceptable institutions”** means those entities with which a Dealer Member is permitted to deal on an unsecured basis without capital penalty. The entities are as follows:
1. Government of Canada, the Bank of Canada and provincial governments.
  2. All crown corporations, instrumentalities and agencies of the Canadian federal or provincial governments which are government guaranteed as evidenced by a written unconditional irrevocable guarantee or have a call on the consolidated revenue fund of the federal or provincial governments.
  3. Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. subordinated debt) in excess of \$100 million, provided acceptable financial information with respect to such entities is available for inspection.
  4. Credit and central credit unions and regional caisses populaires with paid up capital and surplus (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of \$100 million, provided acceptable financial information with respect to such entities is available for inspection.
  5. Federal governments of *Basel Accord countries*.
  6. Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of \$150 million, provided acceptable financial information with respect to such entities is available for inspection.
  7. Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of \$100 million, provided acceptable financial information with respect to such companies is available for inspection.
  8. Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, and with total net assets on the last audited balance sheet in excess of \$200 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.
  9. Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of \$300 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.

For the purposes of this definition, a satisfactory regulatory regime will be one within *Basel Accord countries*. Subsidiaries (other than regulated entities) whose business falls in the category of any of the above enterprises and whose parent or affiliate qualifies as an acceptable institution may also be considered as an acceptable institution if the parent or affiliate provides a written unconditional irrevocable guarantee, subject to approval by the Corporation.

- (d) **“acceptable securities locations”** means those entities considered suitable to hold securities on behalf of a Dealer Member, for both inventory and client positions, without capital penalty, given that the locations meet the requirements outlined in the segregation rules of the Corporation including, but not limited to, the requirement for a written custody agreement outlining the terms upon which such securities are deposited and including provisions that no use or disposition of the securities shall be made without the prior written consent of the Dealer Member and the securities can be delivered to the Dealer Member promptly on demand. The entities are as follows:
1. **Depositories and Clearing Agencies**

Any securities depository or clearing agency operating a central system for handling securities or equivalent book-based entries or for clearing of securities or derivatives transactions that is subject to legislation and oversight by a central or regional government authority in the country of operation. The legislation or oversight regime must provide for or recognize the securities depository's or clearing agency's powers of compliance and enforcement over its members or participants. The Corporation will maintain and regularly update a list of those depositories and clearing agencies that comply with these criteria.
  2. **Acceptable institutions** and subsidiaries of *acceptable institutions* that satisfy the following criteria:
    - (a) *Acceptable institutions* which in their normal course of business offer custodial security services; or
    - (b) Subsidiaries of *acceptable institutions* provided that each such subsidiary, together with the *acceptable institution*, has entered into a custodial agreement with the Dealer Member containing a legally enforceable indemnity by the *acceptable institution* in favour of the Dealer Member covering all losses, claims, damages, costs and liabilities in respect of securities and other property held for the Dealer Member and its clients at the subsidiary's location.
  3. **Acceptable counterparties** - with respect to security positions maintained as a book entry of securities issued by the *acceptable counterparty* and for which the *acceptable counterparty* is unconditionally responsible.
  4. **Banks and trust companies** otherwise classified as *acceptable counterparties* - with respect to securities for which they act as transfer agent and for which custody services are not being provided (in such case, a written custody agreement is not required).
  5. **Mutual Funds or their Agents** - with respect to security positions maintained as a book entry of securities issued by the mutual fund and for which the mutual fund is unconditionally responsible.
  6. **Regulated entities.**
  7. **Foreign institutions and securities dealers** that satisfy the following criteria:
    - (a) the paid-up capital and surplus according to its most recent audited balance sheet is in excess of Canadian \$150 million as evidenced by the audited financial statements of such entity;
    - (b) in respect of which a foreign custodian certificate has been completed and signed in the prescribed form by the Dealer Member's board of directors or authorized committee thereof; provided that:
    - (c) a formal application in respect of each such foreign location is made by the Dealer Member to the Corporation in the form of a letter enclosing the financial statements and certificate described above; and
    - (d) the Dealer Member reviews each such foreign location annually and files a foreign custodian certificate with the Corporation annually.

8. For London Bullion Market Association (LBMA) gold and silver good delivery bars, means those entities considered suitable to hold these bars on behalf of a Dealer Member, for both inventory and client positions, without capital penalty. These entities must:

- be a market making member, ordinary member or associate member of the LBMA;
- be on the Corporation's list of entities considered suitable to hold LBMA gold and silver good delivery bars; and
- have executed a written precious metals storage agreement with the Dealer Member, outlining the terms upon which such LBMA good delivery bars are deposited. The terms must include provisions that no use or disposition of these bars shall be made without the written prior consent of the Dealer Member, and these bars can be delivered to the Dealer Member promptly on demand. The precious metals storage agreement must provide equivalent rights and protection to the Dealer Member as the standard securities custodial agreement.

and such other locations which have been approved as acceptable securities locations by the Corporation.

- (e) **"Basel Accord countries"** means those countries that are members of the Basel Accord and those countries that have adopted the banking and supervisory rules set out in the Basel Accord. [The Basel Accord, which includes the regulating authorities of major industrial countries acting under the auspices of the Bank for International Settlements (B.I.S.), has developed definitions and guidelines that have become accepted standards for capital adequacy.] A list of current Basel Accord countries is included in the most recent list of foreign *acceptable institutions* and foreign *acceptable counterparties*.

- (f) **"broad based index"** means an equity index whose underlying basket of securities is comprised of:

1. thirty or more securities;
2. the single largest security position by weighting comprises no more than 20% of the overall *market value* of the basket of equity securities;
3. the average market capitalization for each security position in the basket of equity securities underlying the index is at least \$50 million;
4. the securities shall be from a broad range of industries and market sectors as determined by the Corporation to represent index diversification; and
5. in the case of foreign equity indices, the index is both listed and traded on an exchange that meets the criteria for being considered a recognized exchange, as set out in the definition of "regulated entities" in the General Notes and Definitions.

- (g) **"market value of securities"** means:

1. for listed securities, the last bid price of a long security and, correspondingly, the last ask price of a short security, as shown on the exchange quotation sheets as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be, subject to an appropriate adjustment where an unusually large or unusually small quantity of securities is being valued. If not available, the last sale price of a board lot may be used. Where not readily marketable, no market value shall be assigned.
2. for unlisted and debt securities, and precious metals bullion, a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or based on a reasonable yield rate. Where not readily marketable, no market value shall be assigned.

3. for commodity futures contracts, the settlement price on the relevant date or last trading day prior to the relevant date.
4. for money market fixed date repurchases (no borrower call feature), the market price is the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date. Exposure due to future changes in market conditions is covered by the margin rate.
5. for money market open repurchases (no borrower call feature), prices are to be determined as of the reporting date or the date the commitment first becomes open, whichever is the later. Market price is to be determined as in 4. and commitment price is to be determined in the same manner using the yield stated in the repurchase commitment.
6. for money market repurchases with borrower call features, the market price is the borrower call price.

(h) **“regulated entities”** means those entities with whom a Dealer Member may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entities are participating institutions in the Canadian Investor Protection Fund or members of recognized exchanges and associations. For the purposes of this definition recognized exchanges and associations mean those entities that meet the following criteria:

1. the exchange or association maintains or is a member of an investor protection regime equivalent to the Canadian Investor Protection Fund;
2. the exchange or association requires the segregation by its members of customers' fully paid for securities;
3. the exchange or association rules set out specific methodologies for the segregation of, or reserve for, customer credit balances;
4. the exchange or association has established rules regarding Dealer Member and customer account margining;
5. the exchange or association is subject to the regulatory oversight of a government agency or a self-regulatory organization under a government agency which conducts regular examinations of its members and monitors member's regulatory capital on an ongoing basis; and
6. the exchange or association requires regular regulatory financial reporting by its members.

A list of current recognized exchanges and associations is included in the most recent list of foreign *acceptable institutions* and foreign *acceptable counterparties*.

- (i) **“settlement date - extended”** means a transaction (other than a mutual fund security redemption) in respect of which the arranged settlement date is a date after regular settlement date.
- (j) **“settlement date - regular”** means the settlement date generally accepted according to industry practice for the relevant security in the market in which the transaction occurs, including foreign jurisdictions. For margin purposes, if such settlement date exceeds 15 business days past trade date, settlement date will be deemed to be 15 business days past trade date. In the case of new issue trades, regular settlement date means the contracted settlement date as specified for that issue.

**FORM 1 – CERTIFICATE OF UDP AND CFO**

**NOTES AND INSTRUCTIONS**

1. Details must be given for any “no” answers.
2. To be signed by:
  - (a) Ultimate Designated Person (UDP);
  - (b) Chief financial officer (CFO); and
  - (c) at least one other executive ~~if the CFO is not an executive or~~ if the UDP and CFO are ~~one~~ the same person.
3. A copy of the certificate with original signatures must be provided to both the Corporation and CIPF.

## FORM 1, PART I – STATEMENT A

(Dealer Member Name)

## STATEMENT OF FINANCIAL POSITION

at \_\_\_\_\_

## REFERENCE

## NOTES

(CURRENT  
YEAR)  
C\$'000(PREVIOUS  
YEAR)  
C\$'000

## LIQUID ASSETS:

1.	Cash on deposit with <i>acceptable institutions</i>	-----	-----	-----
2.	Funds deposited in trust for RRSP and other similar accounts	-----	-----	-----
3. Stmt. D	Cash, held in trust with <i>acceptable institutions</i> , due to free credit ratio calculation	-----	-----	-----
4.	Variable base deposits and margin deposits with <i>acceptable clearing corporations</i> [cash balances only]	-----	-----	-----
5.	Margin deposits with regulated entities [cash balances only]	-----	-----	-----
6. Sch.1	Loans receivable, securities borrowed and resold	-----	-----	-----
7. Sch.2	Securities owned - at <i>market value</i>	-----	-----	-----
8. Sch.2	Securities owned and segregated due to free credit ratio calculation	-----	-----	-----
9. Sch.4	Client accounts	-----	-----	-----
10. Sch.5	Brokers and dealers trading balances	-----	-----	-----
11.	Receivable from carrying broker or mutual fund	-----	-----	-----
12.	TOTAL LIQUID ASSETS	-----	-----	-----

## OTHER ALLOWABLE ASSETS (RECEIVABLES FROM ACCEPTABLE INSTITUTIONS):

13. Sch.6	Current income tax assets	-----	-----	-----
14.	Recoverable and overpaid taxes	-----	-----	-----
15.	Commissions and fees receivable	-----	-----	-----
16.	Interest and dividends receivable	-----	-----	-----
17.	Other receivables [provide details]	-----	-----	-----
18.	TOTAL OTHER ALLOWABLE ASSETS	-----	-----	-----

## NON ALLOWABLE ASSETS:

19.	Other deposits with <i>acceptable clearing corporations</i> [cash or <i>market value</i> of securities lodged]	-----	-----	-----
20.	Deposits and other balances with non- <i>acceptable clearing corporations</i> [cash or <i>market value</i> of securities lodged]	-----	-----	-----
21.	Commissions and fees receivable	-----	-----	-----
22.	Interest and dividends receivable	-----	-----	-----
23.	Deferred tax assets	-----	-----	-----
24.	Intangible assets	-----	-----	-----
25.	Property, plant and equipment	-----	-----	-----
26.	Investments in subsidiaries and affiliates	-----	-----	-----
27.	Advances to subsidiaries and affiliates	-----	-----	-----
28.	Other assets [provide details]	-----	-----	-----
29.	TOTAL NON-ALLOWABLE ASSETS	-----	-----	-----
30.	Finance lease assets	-----	-----	-----
31.	TOTAL ASSETS	-----	=====	=====



## REFERENCE

	NOTES	(CURRENT YEAR) C\$'000	(PREVIOUS YEAR) C\$'000
CURRENT LIABILITIES:			
51. Sch.7	Overdrafts, loans, securities loaned and repurchases	-----	-----
52. Sch.2	Securities sold short - at <i>market value</i>	-----	-----
53. Sch.4	Client accounts	-----	-----
54. Sch.5	Brokers and dealers	-----	-----
55.	Provisions	-----	-----
56. Sch.6	Current income tax liabilities	-----	-----
57.	Bonuses payable	-----	-----
58.	Accounts payable and accrued expenses	-----	-----
59.	Finance leases and lease-related liabilities	-----	-----
60.	Other current liabilities [provide details]	-----	-----
61.	TOTAL CURRENT LIABILITIES	-----	-----
NON-CURRENT LIABILITIES:			
62.	Provisions	-----	-----
63.	Deferred tax liabilities	-----	-----
64.	Finance leases and lease-related liabilities	-----	-----
65.	<del>Finance leases</del> — <a href="#">Non-refundable</a> leasehold inducements	-----	-----
66.	Other non-current liabilities [provide details]	-----	-----
67.	Subordinated loans	-----	-----
68.	TOTAL NON-CURRENT LIABILITIES	-----	-----
69.	TOTAL LIABILITIES [Line 61 plus Line 68]	-----	-----
CAPITAL AND RESERVES:			
70. Stmt. F	Issued capital	-----	-----
71. Stmt. F	Reserves	-----	-----
72. Stmt. F	Retained earnings or undivided profits	-----	-----
73.	TOTAL CAPITAL	-----	-----
74.	TOTAL LIABILITIES AND CAPITAL	=====	=====

## FORM 1, PART I – STATEMENT B

(Dealer Member Name)

## STATEMENT OF NET ALLOWABLE ASSETS AND RISK ADJUSTED CAPITAL

at \_\_\_\_\_

REFERENCE	NOTES	(CURRENT YEAR) C\$'000	(PREVIOUS YEAR) C\$'000
1. A-73	Total Capital	-----	-----
2. A-65	<b>Add:</b> <del>Finance leases</del> <u>Non-refundable</u> leasehold inducements	-----	-----
3. A-67	<b>Add:</b> Subordinated loans	-----	-----
4.	REGULATORY FINANCIAL STATEMENT CAPITAL	-----	-----
5. A-29	<b>Deduct:</b> Total Non allowable assets	-----	-----
6.	NET ALLOWABLE ASSETS	-----	-----
7.	<b>Deduct:</b> Minimum capital	-----	-----
8.	SUBTOTAL	-----	-----
<b>Deduct - Margin required:</b>			
9. Sch.1	Loans receivable, securities borrowed and resold	-----	-----
10. Sch.2	Securities owned and sold short	-----	-----
11. Sch.2A	Underwriting concentration	-----	-----
12. Sch.4	Client accounts	-----	-----
13. Sch.5	Brokers and dealers	-----	-----
14. Sch.7	Loans and repurchases	-----	-----
15.	Contingent liabilities [provide details]	-----	-----
16. Sch.10	Financial institution bond deductible [greatest under any clause]	-----	-----
17. Sch.11	Unhedged foreign currencies	-----	-----
18. Sch.12	Futures contracts	-----	-----
19. Sch.14	Provider of capital concentration charge	-----	-----
20.	Securities held at non-acceptable securities locations	-----	-----
21. Sch.7A	Acceptable counterparties financing activities concentration charge	-----	-----
22.	Unresolved differences [provide details]	-----	-----
23.	Other [provide details]	-----	-----
24.	TOTAL MARGIN REQUIRED [Lines 9 to 23]	-----	-----
25.	SUBTOTAL [Line 8 less Line 24]	-----	-----
26. Sch.6A	<b>Add:</b> Applicable tax recoveries	-----	-----
27.	Risk Adjusted Capital before securities concentration charge [Line 25 plus Line 26]	-----	-----
28. Sch.9	<b>Deduct:</b> Securities concentration charge of _____	-----	-----
Sch.6A	less tax recoveries of _____	-----	-----
29.	RISK ADJUSTED CAPITAL [Line 27 less Line 28]	=====	=====

FORM 1, PART I – STATEMENT B

NOTES AND INSTRUCTIONS

**Capital adequacy**

A DEALER MEMBER MUST HAVE AND MAINTAIN AT ALL TIMES RISK ADJUSTED CAPITAL IN AN AMOUNT NOT LESS THAN ZERO.

**Netting for margin calculation**

When applying Corporation margin rules, a Dealer Member can net allowable assets and liabilities as well as security positions. Except where there is a prescribed IFRS departure, netting is for regulatory margin purposes only (and not for presentation purposes).

**Line 2 – Non- current liability - ~~finance leases~~—non-refundable lease hold inducements**

In those cases where it can be demonstrated that the leasehold inducement presents no additional liability to the Dealer Member (i.e. the Dealer Member does not “owe” the unamortized portion of the inducement back to the landlord, thereby qualifying the landlord as a creditor of the Dealer Member), the non-current portion of the ~~finance~~ lease liability for leasehold inducements can be reported as an adjustment to risk adjusted capital.

**Line 7 – Minimum Capital**

“Minimum capital” is \$250,000 except for a Type 1 introducing broker. For a Type 1 introducing broker, the minimum capital is \$75,000.

**Line 15 – Contingent liabilities**

No Dealer Member may give, directly or indirectly, by means of a loan, guarantee, the provision of security or of a covenant or otherwise, any financial assistance to an individual and/or corporation unless the amount of the loan, guarantee, provision of security or of the covenant or any other assistance is limited to a fixed or determinable amount and the amount is provided for in computing Risk Adjusted Capital.

The margin required shall be the amount of the loan, guarantee, etc. less the loan value of any accessible collateral, calculated in accordance with Corporation rules.

A guarantee of payment is not acceptable collateral to reduce margin required.

The Dealer Member should maintain and retain the details of the margin calculations for contingencies, such as guarantees or returned cheques, for Corporation review.

**Line 20 – Securities held at non-acceptable securities locations**

Capital Requirements

In general, the capital requirements for securities held in custody at another entity are as follows:

- (i) Where the entity qualifies as an acceptable securities location, there shall be no capital requirement, provided there are no unresolved differences between the amounts reported on the books of the entity acting as custodian and the amounts reported on the books of the Dealer Member. The capital requirements for unresolved differences are discussed separately in the notes and instructions for the completion of Statement B, Line 22 below.

- (ii) Where the entity does not qualify as an acceptable securities location, the entity shall be considered a non-acceptable securities location and the Dealer Member shall be required to deduct 100% of the *market value* of the securities held in custody with the entity in the calculation of its Risk Adjusted Capital.

However, there is one exception to the above general requirements. Where the entity would otherwise qualify as an acceptable securities location except for the fact that the Dealer Member has not entered into a written custodial agreement with the entity, as required by Corporation rules, the capital requirement shall be determined as follows:

- (a) Where setoff risk with the entity is present, the Dealer Member shall be required to deduct the lesser of:

- (I) 100% of the setoff risk exposure to the entity; and
- (II) 100% of the *market value* of the securities held in custody with the entity;

in the calculation of its Risk Adjusted Capital;

and;

- (b) The Dealer Member shall be required to deduct 10% of the *market value* of the securities held in custody with the entity in the calculation of its Early Warning Reserve.

The sum of the requirements calculated in paragraphs (a) and (b) above shall be no greater than 100% of the *market value* of the securities held in custody with the entity. Where the sum amounts initially calculated in paragraphs (a) and (b) above are greater than 100%, the capital required under paragraph (b) and the amount reported as a deduction in the calculation of the Early Warning Reserve shall be reduced accordingly.

For the purposes of determining the capital requirement detailed in paragraph (a) above, the term “setoff risk” shall mean the risk exposure that results from the situation where the Dealer Member has other transactions, balances or positions with the entity, where the resultant obligations of the Dealer Member might be setoff against the value of the securities held in custody with the entity.

#### Client Waiver

Where the laws and circumstances prevailing in a foreign jurisdiction may restrict the transfer of securities from the jurisdiction and the Dealer Member is unable to arrange for the holding of client securities in the jurisdiction at an acceptable securities location, the Dealer Member may hold such securities at a location in that jurisdiction if (a) the Dealer Member has entered into a written custodial agreement with the location as required hereunder and (b) the client has consented to the arrangement, acknowledged the risks and waived any claims it may have against the Dealer Member, in a form approved by the Corporation. Such a consent and waiver must be obtained on a transaction by transaction basis.

#### **Line 22 – Unresolved Differences**

Items are considered unresolved unless:

- (i) a written acknowledgement from the counterparty of a valid claim has been received
- (ii) a journal entry to resolve the difference has been processed as of the Due Date of Form 1.

This does not include journal entries writing off the difference to profit or loss in the period subsequent to the date of Form 1. Provision should be made for the *market value* and margin requirements at the Form 1 date on out-of-balance short securities and other adverse unresolved differences (such as, with banks, trust companies, brokers, clearing corporations) still unresolved as at a date one month subsequent to the Form 1 date or other applicable Due Date of Form 1.

The margin rate to be used is the one that is appropriate for inventory positions. For instance, if the calculation is for securities

eligible for reduced margin, the margin rate is 25%, rather than 30%.

A separate schedule, in a form approved by the Corporation, must be prepared detailing all unresolved differences as at the report date.

The following guidelines should be followed when calculating the required to margin amount on unresolved items:

Type of Unresolved Difference	Amount Required to Margin
Money balance - credit (potential gains)	None
Money balance - debit (potential losses)	Money balance
Unresolved Long with Money on the Dealer Member's Book	[(Money Balance on the trade minus <i>market value</i> of the security)* plus the applicable inventory margin]
Unresolved Long without Money on the Dealer Member's Books	None
Unresolved Short with Money on the Dealer Member's Books	[(Market value of the security minus money balance on the trade)* plus the applicable inventory margin]
Unresolved Long/Short on the Other Broker's Books	None
Short Security Break (e.g. Mutual Funds, Stock Dividends) or Unresolved Short without Money on the Dealer Member's Books	[Market value of the security plus the applicable inventory margin]

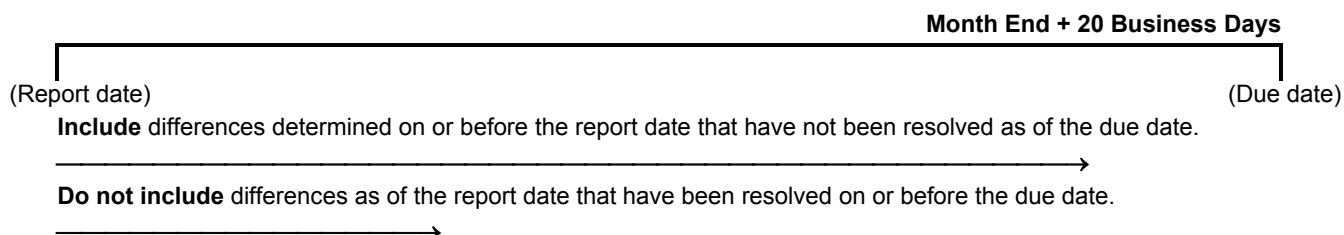
\* also referred to as the Mark-to-Market Adjustment.

Where mutual fund positions are not reconciled on a monthly basis, margin shall be provided equal to a percentage of the *market value* of such mutual funds held on behalf of clients. Where no transactions in the mutual fund, other than redemptions and transfers, have occurred for at least six months and no loan value has been associated with the mutual fund, the percentage shall be 10%. In all other cases, the percentage shall be 100%.

#### Unresolved Differences in Accounts:

Report all differences determined on or before the report date that have not been resolved as of the due date.

#### Month End



For each account listed, set out the number of unresolved differences and the money value of both the debit and credit differences. The Debit/Short value column includes money differences and *market value* of security differences, which represent a potential loss. The Credit/Long value column includes money differences and *market value* of security differences, which represent a potential gain. In determining the potential gain or loss, the money balance and the security position *market value* of the same transaction should be netted. Debit/short and credit/long balances of different transactions cannot be netted.

All reconciliation must be properly documented and made available for review by Corporation examination staff and Dealer Member's Auditor.

#### Unresolved differences in Security Counts:

Report all security count differences determined on or before the report date that have not been resolved as of due date. The amount required to margin is the *market value* of short security differences plus the applicable inventory margin.

**Line 23 – Other**

This item should include all margin requirements not mentioned above as outlined in Corporation rules.

## FORM1, PART I – STATEMENT C

DATE: \_\_\_\_\_

(Dealer Member Name)

## STATEMENT OF EARLY WARNING EXCESS AND EARLY WARNING RESERVE

at \_\_\_\_\_

REFERENCE	NOTES	(CURRENT YEAR) C\$'000
1. B-29 <b>RISK ADJUSTED CAPITAL</b>		
<b>LIQUIDITY ITEMS -</b>		
<b>DEDUCT:</b>		
2. A-18 Other allowable assets	-----	-----
3. Sch.6A Tax recoveries	-----	-----
4. Securities held at non-acceptable securities locations	-----	-----
<b>ADD:</b>		
5. A-68 Non-current liabilities	-----	-----
6. A-67 Less: Subordinated loans	-----	-----
7. A-65 Less: <del>Finance leases</del> Non-refundable leasehold inducements	-----	-----
8. Adjusted non-current liabilities for Early Warning purposes	-----	-----
9. Sch.6A Tax recoveries - income accruals	-----	-----
10. <b>EARLY WARNING EXCESS</b>		-----
<b>DEDUCT: CAPITAL CUSHION -</b>		
11. B-24 Total margin required \$_____ multiplied by 5%	-----	-----
12. <b>EARLY WARNING RESERVE</b> [Line 10 less Line 11]		=====

**FORM 1, PART I – STATEMENT C**

**NOTES AND INSTRUCTIONS**

The Early Warning system is designed to provide advance warning of a Dealer Member encountering financial difficulties. It will anticipate capital shortages and/or liquidity problems and encourage Dealer Members to build a capital cushion.

**Line 1** - If Risk Adjusted Capital of the Dealer Member is less than:

- (a) 5% of total margin required (Line [11](#) above), then the Dealer Member is designated as being in Early Warning category **Level 1**, or
- (b) 2% of total margin required (Line [11](#) above), then the Dealer Member is designated as being in Early Warning category **Level 2**,

and the applicable sanctions outlined in the Corporation rules will apply.

**Lines 2 and 3** - These items are deducted from RAC because they are illiquid or the receipt is either out of the Dealer Member's control or contingent.

**Line 4** ~~—~~ Pursuant to the Notes and Instructions for the completion of Statement B, Line 20, where the entity would otherwise qualify as an acceptable securities location except for the fact that the Dealer Member has not entered into a written custodial agreement with the entity, as required by Corporation rules, the Dealer Member will be required to deduct an amount up to 10% of the *market value* of the securities held in custody with the entity, in the calculation of its Early Warning Reserve. Please refer to the detailed calculation formula set out to the Notes and Instructions for the completion of Statement B, Line 20 to determine the capital requirement to be reported on Statement C, Line 4.

**Line 5** ~~—~~ Non-current liabilities (other than subordinated loans and non-current portion of ~~finance~~-lease liabilities ~~—~~ leasehold inducements) are added back to RAC as they are not current obligations of the Dealer Member and can be used as financing.

**Line 9** - This add-back ensures that the Dealer Member is not penalized at the Early Warning level for accruing income.

**Line 10** - If Early Warning Excess is negative, the Dealer Member is designated as being in Early Warning category Level 2 and the sanctions outlined in the Corporation rules will apply.

**Line 12** - If the Early Warning Reserve is negative, the Dealer Member is designated as being in Early Warning category Level 1 and the sanctions outlined in the Corporation rules will apply.



## FORM 1, PART I – STATEMENT E

(Dealer Member Name)

## STATEMENT OF INCOME AND COMPREHENSIVE INCOME

for the period ended \_\_\_\_\_

REFERENCE	NOTES	(CURRENT YEAR / MONTH) C\$'000	(PREVIOUS YEAR / MONTH) C\$'000
<b>COMMISSION REVENUE</b>			
1. Listed Canadian securities	-----	-----	-----
2. Other securities	-----	-----	-----
3. Mutual funds	-----	-----	-----
4. Listed Canadian options	-----	-----	-----
5. Other listed options	-----	-----	-----
6. Listed Canadian futures	-----	-----	-----
7. Other futures	-----	-----	-----
8. OTC derivatives	-----	-----	-----
<b>PRINCIPAL REVENUE</b>			
9. Listed Canadian options and related underlying securities	-----	-----	-----
10. Other Equities and options	-----	-----	-----
11. Debt	-----	-----	-----
12. Money market	-----	-----	-----
13. Futures	-----	-----	-----
14. OTC derivatives	-----	-----	-----
<b>CORPORATE FINANCE REVENUE</b>			
15. New issues – equity	-----	-----	-----
16. New issues – debt	-----	-----	-----
17. Corporate advisory fees	-----	-----	-----
<b>OTHER REVENUE</b>			
18. Interest	-----	-----	-----
19. Fees	-----	-----	-----
20. Other [provide details]	-----	-----	-----
21. TOTAL REVENUE		-----	-----
<b>EXPENSES</b>			
22. Variable compensation	-----	-----	-----
23. Commissions and fees paid to third parties	-----	-----	-----
24. Bad debt expense	-----	-----	-----
25. Interest expense on subordinated debt	-----	-----	-----
26. Financing cost	-----	-----	-----
27. Corporate finance cost	-----	-----	-----
28. Unusual items [provide details]	-----	-----	-----
29. Pre-tax profit (loss) for the <del>year</del> <u>period</u> from discontinued operations	-----	-----	-----
30. Operating expenses	-----	-----	-----
31. <b>Profit [loss] for Early Warning test</b>		=====	=====
32. Income – Asset revaluation	-----	-----	-----
33. Expense – Asset revaluation	-----	-----	-----
34. Interest expense on internal subordinated debt	-----	-----	-----
35. Bonuses	-----	-----	-----
36. <b>Net income/(loss) before income tax</b>		-----	-----
37. S-6(5) Income tax expense (recovery), including taxes on profit (loss) from discontinued operations	-----	-----	-----
38. <b>PROFIT [LOSS] FOR PERIOD</b>		-----	-----

F-11

Other comprehensive income

**SROs, Marketplaces and Clearing Agencies**

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39.	Gain (loss) arising on revaluation of properties	-----	-----
		F-5a	-----
40.	Actuarial gain (loss) on defined benefit pension plans	-----	-----
		F-5b	-----
41	Other comprehensive income for the <del>year</del> <u>period</u> , net of tax [Lines 39 plus 40]	-----	-----
		For MFR reporting E-41 is the net change to A-71 Reserves	-----
42.	<b>Total comprehensive income for the <del>year</del><u>period</u></b> [Lines 38 plus 41]	-----	-----
Note: The following lines must also be completed when filing the MFR:			
43.	Payment of dividends or partners drawings	-----	-----
44.	Other [provide details]	-----	-----
45.	NET CHANGE TO RETAINED EARNINGS [Lines 38, 43 and 44]	-----	-----

**FORM 1, PART I – STATEMENT E****NOTES AND INSTRUCTIONS****Comprehensive income**

Comprehensive income represents all changes in equity during a period resulting from transactions and other events, other than changes resulting from transactions with owners in their capacity as owners. Comprehensive income includes profit and loss for the period and other comprehensive income (OCI). OCI captures certain gains and losses outside of net income. For regulatory financial reporting, two acceptable sources of other comprehensive income (OCI) are:

- the use of the revaluation model for plant, property and equipment (PPE) and intangible assets, and
- the actuarial gain (loss) on defined benefit pension plans.

**Lines**

1. Include all gross commissions earned on listed Canadian securities.

Commissions earned on soft dollar deals with respect to the revenue source should also be included in the appropriate Lines 1 to 8.

Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation). Payouts to other brokers must be reported on Line 23 (Expenses: commissions and fees paid to third parties).

2. Include gross commissions earned on OTC transactions [equity or debt, foreign or Canadian], rights and offers, and other foreign securities.

Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation). Payouts to other brokers must be reported on Line 23 (Expenses: commissions and fees paid to third parties).

3. Include all gross commissions and trailer fees earned on mutual fund transactions.

Commissions paid to registered representatives must be reported on Line 22 (Expenses: variable compensation). Payouts to the mutual funds must be reported on Line 23 (Expenses: commissions and fees paid to third parties).

4. Include all gross commissions earned on listed option contracts cleared through the Canadian Derivatives Clearing Corporation (CDCC).

Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation).

5. Include gross commissions on foreign listed option transactions.

Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation). Payouts to other brokers must be reported on Line 23 (Expenses: commissions and fees paid to third parties).

6. Include all gross commissions earned on listed futures contracts cleared through the CDCC.

Commissions paid to registered representatives must be reported on Line 22 (Expenses: variable compensation).

7. Include all gross commissions earned on foreign listed futures contracts.

Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation).

8. Include gross commissions earned on OTC options, forwards, contracts-for-difference, FX spot, and swaps. Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation).
9. Include all principal revenue [trading profits/losses, including dividends] from listed options cleared through CDCC and related underlying security transactions in market makers' and Dealer Member's inventory accounts.
- Include adjustment of inventories to *market value*.
- The financing cost must be reported separately on Line 26 (Expenses: financing cost).
10. Include all principal revenue [trading profits/losses, including dividends] from all other options and equities except those indicated on Line 9 (Principal revenue: listed Canadian options and related underlying securities).
- Include adjustment of inventories to *market value*.
- The financing cost must be reported separately on Line 26 (Expenses: financing cost).
11. Include revenue [trading profits/losses] on all debt instruments, other than money market instruments.
- Include adjustment of inventories to *market value*.
- The financing cost must be reported separately on Line 26 (Expenses: financing cost).
12. Include revenue on all money market activities. Money market commissions should also be shown here.
- Include any adjustment of inventories to *market value*.
- The cost of carry must be reported separately on Line 26 (Expenses: financing cost).
13. Include all principal revenue [trading profits/losses] on futures contracts.
14. Include revenues from OTC derivatives, such as forward contracts and swaps.
- Include adjustment of inventories to *market value*.
15. Include revenue relating to equity new issue business - underwriting and/or management fees, banking group profits, private placement fees, trading profits on new issue inventories [trading on an "if, as and when basis"], selling group spreads and/or commissions, and convertible debts.
- Syndicate expenses must be reported separately on Line 27 (Expenses: corporate finance cost).
16. Include revenue relating to debt new issue business - Corporate and government issues, and Canada Savings Bond (CSB) commissions.
- Amounts paid to CSB sub-agent fees and for syndicate expenses must be reported separately on Line 27 (Expenses: corporate finance cost).
17. Include revenue relating to corporate advisory fees, such as corporate restructuring, privatization, M&A fees.
- The related expenses must be reported separately on Line 27 (Expenses: corporate finance cost).
18. Include all interest revenue, which is not otherwise related to a specific liability trading activity [i.e. other than debt, money market, and derivatives].

All interest revenue from carrying retail and institutional client account balances should be reported on this line. For example, interest revenue earned from client debit balances.

The related interest cost for carrying retail and institutional client accounts should be reported separately on Line 26 (Expenses: financing cost).

- 19. Include proxy fees, portfolio service fees, segregation and safekeeping fees, RRSP fees, and any charges to clients that are not related to commission or interest.
- 20. Include foreign exchange profits/losses and all other revenue not reported above.
- 22. Include commissions, bonuses and other variable compensation of a contractual nature.

Examples would encompass commission payouts to registered representatives (RRs) and payments to institutional and professional trading personnel.

All contractual bonuses should be accrued monthly.

Discretionary bonuses should be reported separately on Line 35 (Expenses: bonuses).

- 23. Include payouts to other brokers and mutual funds.
- 25. Include all interest on external subordinated debt, as well as non-discretionary contractual interest on internal subordinated debt.
- 26. Include the financing cost for all inventory trading (related to Lines 9, 10, 11 and 12) and the cost of carrying client balances (related to Line 18).
- 27. Include syndicate expenses and any related corporate finance expenses, as well as CSB fees.
- 28. Unusual items result from transactions or events that are not expected to occur frequently over several years, or do not typify normal business activities.

Discontinued operations, such as a branch closure, should be reported separately on Line 29 (Expenses: profit (loss) for the ~~year~~period from discontinued operations).

- 29. A discontinued operation is a business component that has either been disposed or is classified as held for sale and represents (or is part of a plan to dispose) a separate significant line of business or geographical area of operations. For example, branch closure. The profit (loss) on discontinued operations for the ~~year~~period is on a pre-tax basis. The tax component is to be included as part of the income tax expense (recovery) on Line 37.
- 30. Include all operating expenses (including those related to soft dollar deals).

Over-certification cost relating to debt instruments should be reported on this line.

Transaction cost for inventory trading (specifically for inventory that are categorized as held-for-trading) should be included on this line.

The expense related to share-based payments (such as stock option or share reward) to employees and non-employees should be included on this line.

- 31. This is the profit (loss) number used for the Early Warning profitability tests.

32. When a Dealer Member uses the revaluation model for its PPE and intangible assets, changes to the fair value may result in recognizing income after considering accumulated depreciation (or amortization) and OCI surplus.
33. When a Dealer Member uses the revaluation model for its PPE and intangible assets, changes to the fair value may result in recognizing expense after considering accumulated depreciation (or amortization) and OCI surplus.
34. Include interest expense on subordinated debt with related parties for which the interest charges can be waived if required.
35. This category should include discretionary bonuses and all bonuses to shareholders in accordance with share ownership. These bonuses are in contrast to those reported on Line 22 (Expenses: variable compensation).
37. Include only income taxes and the tax component relating to the profit (loss) on discontinued operations for the ~~year~~period.
- Realty and capital taxes should be included on Line 30 (Expenses: operating expenses).
39. When a Dealer Member uses the revaluation model to re-measure its PPE and intangible assets, changes to fair value may result in a change to shareholders' equity after considering accumulated depreciation (amortization) and income or expense from asset revaluation.
40. When a Dealer Member has a defined benefit pension plan and initially adopts a policy of recognizing actuarial gains and losses in full in OCI, the subsequent adjustments must be recognized in OCI.
43. **To be used for MFR filing only.**
44. **To be used for MFR filing only:** Include direct charges or credits to retained earnings.

Any adjustment required to reconcile the MFR's retained earnings to the audited Form 1 retained earnings must be posted to the individual Statement E line items on the first MFR that is filed after the adjustment is known.

## FORM 1, PART I – STATEMENT G

(Dealer Member Name) \_\_\_\_\_

## OPENING IFRS STATEMENT OF FINANCIAL POSITION AND RECONCILIATION OF EQUITY

at \_\_\_\_\_

CGAAP Line #	IFRS Line #	REFERENCE	NOTES	CGAAP (date) C\$'000	IFRS ADJUSTMEN TS C\$'000	IFRS (date) C\$'000
		LIQUID ASSETS:				
1.	1.	Cash on deposit with <i>acceptable institutions</i>	-----	-----	-----	-----
2.	2.	Funds deposited in trust for RRSP and other similar accounts	-----	-----	-----	-----
3.	3.	Cash, held in trust with <i>acceptable institutions</i> , due to free credit ratio calculation	-----	-----	-----	-----
4.	4.	Variable base deposits and margin deposits with <i>acceptable clearing corporations</i> [cash balances only]	-----	-----	-----	-----
5.	5.	Margin deposits with regulated entities [cash balances only]	-----	-----	-----	-----
6.	6.	Loans receivable, securities borrowed and resold	-----	-----	-----	-----
7.	7.	Securities owned - at <i>market value</i>	-----	-----	-----	-----
8.	8.	Securities owned and segregated due to free credit ratio calculation	-----	-----	-----	-----
10.	9.	Client accounts	-----	-----	-----	-----
11.	10.	Brokers and dealers trading balances	-----	-----	-----	-----
12.	11.	Receivable from carrying broker or mutual fund	-----	-----	-----	-----
13.	12.	TOTAL LIQUID ASSETS	-----	-----	-----	-----
		OTHER ALLOWABLE ASSETS (RECEIVABLES FROM ACCEPTABLE INSTITUTIONS):				
14.	13.	Current income tax assets	-----	-----	-----	-----
15.	14.	Recoverable and overpaid taxes	-----	-----	-----	-----
16.	15.	Commissions and fees receivable	-----	-----	-----	-----
17.	16.	Interest and dividends receivable	-----	-----	-----	-----
18.	17.	Other receivables [provide details]	-----	-----	-----	-----
19.	18.	TOTAL OTHER ALLOWABLE ASSETS	-----	-----	-----	-----
		NON ALLOWABLE ASSETS:				
20.	19.	Other deposits with <i>acceptable clearing corporations</i> [cash or <i>market value</i> of securities lodged]	-----	-----	-----	-----
21.	20.	Deposits and other balances with non- <i>acceptable clearing corporations</i> [cash or <i>market value</i> of securities lodged]	-----	-----	-----	-----
22.	21.	Commissions and fees receivable	-----	-----	-----	-----
23.	22.	Interest and dividends receivable	-----	-----	-----	-----
	23.	Deferred tax assets	-----	-----	-----	-----
	24.	Intangible assets	-----	-----	-----	-----
24.	25.	Property, plant and equipment	-----	-----	-----	-----

CGAAP	IFRS		NOTES	CGAAP	IFRS	IFRS
Line #	Line #	REFERENCE		(date)	ADJUSTMENTS	(date)
		NON ALLOWABLE ASSETS [Continued]:				
27.	26.	Investments in subsidiaries and affiliates	-----	-----	-----	-----
	27.	Advances to subsidiaries and affiliates	-----	-----	-----	-----
28.	28.	Other assets [provide details]	-----	-----	-----	-----
29.	29.	TOTAL NON-ALLOWABLE ASSETS		=====	=====	=====
26.	30.	Finance lease asset	-----	-----	-----	-----
30.	31.	TOTAL ASSETS		=====	=====	=====
		CURRENT LIABILITIES:				
51.	51.	Overdrafts, loans, securities loaned and repurchases		-----	-----	-----
52.	52.	Securities sold short - at <i>market value</i>		-----	-----	-----
54.	53.	Client accounts		-----	-----	-----
55.	54.	Brokers and dealers		-----	-----	-----
	55.	Provisions		-----	-----	-----
56.	56.	Current income tax liabilities		-----	-----	-----
58.	57.	Bonuses payable		-----	-----	-----
59.	58.	Accounts payable and accrued expenses		-----	-----	-----
60.	59.	Finance leases and lease-related liabilities		-----	-----	-----
61.	60.	Other current liabilities [provide details]		-----	-----	-----
62.	61.	TOTAL CURRENT LIABILITIES			=====	=====
		NON-CURRENT LIABILITIES:				
	62.	Provisions		-----	-----	-----
63.	63.	Deferred tax liabilities		-----	-----	-----
64.	64.	Finance leases and lease-related liabilities		-----	-----	-----
68.	65.	<del>Finance leases</del> <u>Non-refundable</u> leasehold inducements		-----	-----	-----
65.	66.	Other non-current liabilities [provide details]		-----	-----	-----
69., 70.	67.	Subordinated loans		-----	-----	-----
66.	68.	TOTAL NON-CURRENT LIABILITIES			=====	=====
67.	69.	TOTAL LIABILITIES			=====	=====
		CAPITAL AND RESERVES:				
71.	70.	Issued capital		-----	-----	-----
	71.	Reserves		-----	-----	-----
72.	72.	Retained earnings or undivided profits		-----	-----	-----
73.	73.	TOTAL CAPITAL			=====	=====
74.	74.	TOTAL LIABILITIES AND CAPITAL			=====	=====



## FORM 1, PART IISCHEDULE 11A

DATE: \_\_\_\_\_

(Dealer Member Name) \_\_\_\_\_

**DETAILS OF UNHEDGED FOREIGN CURRENCIES CALCULATION FOR INDIVIDUAL CURRENCIES  
WITH MARGIN REQUIRED GREATER THAN OR EQUAL TO \$5,000**

Foreign Currency: \_\_\_\_\_

Margin Group: \_\_\_\_\_

	<b>AMOUNT</b> <b>C\$'000</b>	<b>WEIGHTED</b> <b>VALUE</b> <b>C\$'000</b>	<b>MARGIN</b> <b>REQUIRED</b> <b>C\$'000</b>
<b>BALANCE SHEET ITEMS AND FORWARD/FUTURE COMMITMENTS &lt;= TWO YEARS TO MATURITY</b>			
1. Total monetary assets	_____	_____	_____
2. Total long forward / futures contract positions	_____	_____	_____
3. Total monetary liabilities	_____	_____	_____
4. Total (short) forward / futures contract positions	_____	_____	_____
5. Net long (short) foreign exchange positions	_____	_____	_____
6. Net weighted value	_____	_____	_____
7. Net weighted value multiplied by term risk for Group ____ of ____%	_____	_____	_____
<b>BALANCE SHEET ITEMS AND FORWARD/FUTURE COMMITMENTS &gt; TWO YEARS TO MATURITY</b>			
8. Total monetary assets	_____	_____	_____
9. Total long forward / futures contract positions	_____	_____	_____
10. Total monetary liabilities	_____	_____	_____
11. Total (short) forward / futures contract positions	_____	_____	_____
12. Net long (short) foreign exchange positions	_____	_____	_____
13. Net weighted <u>value</u>	_____	_____	_____
14. Net weighted value multiplied by term risk for Group ____ of ____%	_____	_____	_____
<b>FOREIGN EXCHANGE MARGIN REQUIREMENTS</b>			
15. Net long (short) foreign exchange positions	_____	_____	_____
16. Net foreign exchange position multiplied by spot risk for Group ____ of ____%	_____	_____	_____
17. Total term risk and spot risk margin requirement	_____	_____	_____
18. Spot rate at reporting date	_____	_____	_____
19. Margin requirement converted to Canadian dollars	_____	_____	_____
<b>FOREIGN EXCHANGE CONCENTRATION CHARGE</b>			
20. Total foreign exchange margin (Line 19) in excess of 25% of net allowable assets less minimum capital [not applicable to Group 1]	_____	_____	_____
TOTAL FOREIGN EXCHANGE MARGIN FOR (Currency):	_____	_____	_____

Sch. 11

## FORM 1, PART II – SCHEDULE 13A

DATE: \_\_\_\_\_

(Dealer Member Name) \_\_\_\_\_

## EARLY WARNING TESTS - LEVEL 2

C\$'000

## A. LIQUIDITY TEST

Is Early Warning Excess (Stmt. C, Line 10) less than 0?

YES/NO

## B. CAPITAL TEST

1. Risk Adjusted Capital (RAC) [Stmt. B, Line 29]

2. Total Margin Required [Stmt. B, Line 24] multiplied by 2%

Is Line 1 less than Line 2?

YES/NO

## C. PROFITABILITY TEST #1

Is Schedule 13, Line 11A less than 3 AND  
Schedule 13, Line 11B less than 6?

YES/NO

## D. PROFITABILITY TEST #12

1. Loss for current month [notes 2 and 4] multiplied by -3

2. RAC [at Form 1 date]

Is Line 2 less than Line 1?

YES/NO

## E. PROFITABILITY TEST #3

	Profit or loss for
	3 months
	ending with
	current month
	[note 2]
	C\$'000

1. Current month

2. Preceding month

3. 3rd month

4. TOTAL [note 5]

5. RAC [at Form 1 date]

Is loss on Line 4 greater than Line 5?

YES/NO

## F. FREQUENCY PENALTY

Has Dealer Member:

1. Triggered Early Warning at least 3 times in the past 6 months or is RAC less than 0?

YES/NO

2. Triggered Liquidity or Capital Tests on Schedule 13?

YES/NO

3. Triggered Profitability Tests on Schedule 13?

YES/NO

4. Are Lines 2 and 3 both YES?

YES/NO

## FORM 1, PART II – SCHEDULE 14

DATE: \_\_\_\_\_

(Dealer Member Name) \_\_\_\_\_

## PROVIDER OF CAPITAL CONCENTRATION CHARGE

(Name of Provider of Capital)

C\$'000

**A. CALCULATION OF CASH AND UNDERSECURED LOANS WITH PROVIDER OF CAPITAL**

- |     |  |       |
|-----|--|-------|
| 1.  | Cash on deposit with <i>provider of capital</i>  | ..... |
| 2.  | Cash, held in trust with <i>provider of capital</i> , due to free credit ratio calculation   | ..... |
| 3.  | Loans receivable - undersecured loans receivable from <i>provider of capital</i> relative to normal commercial terms   | ..... |
| 4.  | Loans receivable - secured loans receivable from <i>provider of capital</i> that are secured by investments in securities issued by the <i>provider of capital</i>                       | ..... |
| 5.  | Securities borrowed - securities borrowing agreements with the <i>provider of capital</i> that are undersecured relative to normal commercial terms                                      | ..... |
| 6.  | Securities borrowed - secured securities borrowing agreements with the <i>provider of capital</i> that are secured by investments in securities issued by the <i>provider of capital</i> | ..... |
| 7.  | Resale agreements - agreements with the <i>provider of capital</i> that are undersecured relative to normal commercial terms   | ..... |
| 8.  | Commissions and fees receivable from the <i>provider of capital</i>  | ..... |
| 9.  | Interest and dividends receivable from the <i>provider of capital</i>  | ..... |
| 10. | Other receivables from the <i>provider of capital</i>  | ..... |
| 11. | Loans payable - loans payable to the <i>provider of capital</i> that are overcollateralized relative to normal commercial terms  | ..... |
| 12. | Securities lent - agreements with the <i>provider of capital</i> that are overcollateralized relative to normal commercial terms   | ..... |
| 13. | Repurchase agreements - agreements with the <i>provider of capital</i> that are overcollateralized relative to normal commercial terms   | ..... |

**LESS:**

- |     |   |       |
|-----|---|-------|
| 14. | Bank overdrafts with the <i>provider of capital</i>                 | ..... |
| 15. | TOTAL CASH DEPOSITS AND UNDERSECURED LOANS WITH PROVIDER OF CAPITAL | ===== |

**B. CALCULATION OF INVESTMENTS IN SECURITIES ISSUED BY THE PROVIDER OF CAPITAL**

- |              |  |       |
|--------------|--|-------|
| 1.           | Investments in securities issued by the <i>provider of capital</i> (net of margin provided)  | ..... |
| <b>LESS:</b> |  |       |
| 2.           | Loans payable to <i>provider of capital</i> that are linked to the assets above and are limited recourse   | ..... |
| 3.           | Securities issued by the <i>provider of capital</i> sold short provided they are used as part of a valid offset with the investments reported in Section B, Line 1 above | ..... |
| 4.           | TOTAL INVESTMENTS IN SECURITIES ISSUED BY THE PROVIDER OF CAPITAL  | ===== |

## FORM 1, PART II – SCHEDULE 14

DATE: \_\_\_\_\_

(Dealer Member Name) \_\_\_\_\_

## PROVIDER OF CAPITAL CONCENTRATION CHARGE

C\$'000

**C. CALCULATION OF FINANCIAL STATEMENT CAPITAL PROVIDED BY THE PROVIDER OF CAPITAL**

1. *Regulatory financial statement capital provided by the provider of capital* (including pro-rata share of reserves and retained earnings) \_\_\_\_\_

**D. NET ALLOWABLE ASSETS**

1. Net Allowable Assets \_\_\_\_\_

**E. EXPOSURE TEST #1 - DOLLAR CAP ON CASH DEPOSITS AND UNDERSECURED LOANS**

1. Sec. *Regulatory financial statement capital provided by the provider of capital*

C,  
Line 1

2. Sec. Cash deposits and undersecured loans with *provider of capital* \_\_\_\_\_

A,  
Line  
15

3. *Regulatory financial statement capital* redeposited or lent back on an undersecured basis [Minimum of Section E, Line 1 and Section E, Line 2] \_\_\_\_\_

4. Exposure threshold \_\_\_\_\_

\$50,000

5. Capital requirement [Excess of Section E, Line 3 over Section E, Line 4] \_\_\_\_\_

**F. EXPOSURE TEST #2 - OVERALL CAP ON CASH DEPOSITS AND UNDERSECURED LOANS AND INVESTMENTS**

1. Sec. *Regulatory financial statement capital provided by the provider of capital*

C,  
Line 1

2. Sec. Cash deposits and undersecured loans with *provider of capital* \_\_\_\_\_

A,  
Line  
15

3. Sec. Investments in securities issued by the *provider of capital* \_\_\_\_\_

B,  
Line 4

4. Total cash deposits and undersecured loans and investments [Section F, Line 2 plus Section F, Line 3] \_\_\_\_\_

5. *Regulatory financial statement capital* redeposited or lent back on an undersecured basis or invested in securities issued by the *provider of capital* [Minimum of Section F, Line 1 and Section F, Line 4] \_\_\_\_\_

**LESS:**

6. Sec. Capital charge incurred under Exposure Test #1

E,  
Line 5

7. Net financial statement capital redeposited or lent back on an undersecured basis or invested in securities issued by the *provider of capital* [Section F, Line 5 minus Section F, Line 6] \_\_\_\_\_

8. Exposure threshold being the greater of:

(a) Ten million dollars \_\_\_\_\_

\$10,000

(b) 20% of Net Allowable Assets [20% of Section D, Line 1] \_\_\_\_\_

9. Capital requirement [Excess of Section F, Line 7 over Section F, Line 8] \_\_\_\_\_

10. TOTAL PROVIDER OF CAPITAL CONCENTRATION CHARGE

[Section E, Line 5 plus Section F, Line 9] \_\_\_\_\_

B-19

## FORM 1, PART II – SCHEDULE 14

## NOTES AND INSTRUCTIONS

1. The purpose of this schedule is to measure the exposure a Dealer Member has to each of its providers of capital (as defined below). As such is the case, a separate copy of this schedule should be completed for each *provider of capital* where the capital provided is in excess of \$10 million.
2. For the purposes of this schedule:
  - (a) A “provider of capital” is an individual or entity and its affiliates that provides capital to a Dealer Member
  - (b) “Regulatory financial statement capital” is comprised of:
    - Total Capital (Statement A, Line 73); plus
    - ~~Finance leases~~ Non-refundable leasehold inducements (Statement A, Line 65); plus
    - Subordinated loans (Statement A, Line 67).
  - (c) “Regulatory financial statement capital provided by the provider of capital” is the portion of the *regulatory financial statement capital* that has been provided to the Dealer Member by the *provider of capital*

**CALCULATION OF CASH AND UNDERSECURED LOANS WITH PROVIDER OF CAPITAL**

**Section A, Line 3** – The undersecured amount to be reported on this line refers to any deficiency between the *market value* of the collateral received for the loan and the amount of the loan receivable that is greater than the percentage [the percentage is determined by dividing the deficiency by the *market value* of the collateral received] deficiency required under normal commercial terms.

**Section A, Line 4** – The amount to be reported on this line refers to the entire loan receivable balance if the only collateral received for the loan is securities issued by the *provider of capital*.

**Section A, Line 5** – The undersecured amount to be reported on this line refers to any deficiency between the *market value* of the collateral received for the loan and the amount of the loan receivable or the *market value* of the securities delivered as collateral that is greater than the percentage [the percentage is determined by dividing the deficiency by the *market value* of the collateral received] deficiency required under normal commercial terms.

**Section A, Line 6** – The amount to be reported on this line refers to the entire loan receivable balance or the *market value* of the securities delivered as collateral if the only collateral received for the loan is securities issued by the *provider of capital*.

**Section A, Line 7** – The undersecured amount to be reported on this line refers to any deficiency between the *market value* of the security received pursuant to the resale agreement and the amount of the loan receivable that is greater than the percentage [the percentage is determined by dividing the deficiency by the *market value* of the security received] deficiency required under normal commercial terms. If the security received is a security issued by the *provider of capital* the collateral is assumed to have no value for the purposes of the above calculation.

**Section A, Lines 8, 9 and 10** – The amount to be reported on these lines refers to the amount of the loan receivable less any collateral provided other than securities issued by the *provider of capital*.

**Section A, Line 11** – The overcollateralized amount to be reported on this line refers to any deficiency between the *market value* of the collateral delivered for the loan and the amount of the loan payable that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.

**Section A, Line 12** – The overcollateralized amount to be reported on this line refers to any deficiency between the *market value* of the collateral delivered pursuant to the securities lending agreement and the amount of the loan payable or the *market value* of the securities received as collateral that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.

**Section A, Line 13** – The overcollateralized amount to be reported on this line refers to any deficiency between the *market value* of the collateral delivered pursuant to the repurchase agreement and the amount of the loan payable that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.

#### **CALCULATION OF INVESTMENTS IN SECURITIES ISSUED BY THE PROVIDER OF CAPITAL**

**Section B, Line 1** – Include all investments in securities issued by the *provider of capital*.

**Section B, Line 2** – Include only those loans where the agreement executed includes the industry standard wording set out in the Limited Recourse Call Loan Agreement.

**Section B, Line 3** – Include only those security positions that are otherwise eligible for offset pursuant to the Corporation's capital requirements.

#### **CALCULATION OF FINANCIAL STATEMENT CAPITAL PROVIDED BY THE PROVIDER OF CAPITAL**

**Section C, Line 1** – Include the face amount of subordinated debt provided by the *provider of capital*, plus the book amount of equity capital provided by the *provider of capital* plus a pro-rata share of reserves and retained earnings.

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