The Ontario Securities Commission

OSC Bulletin

June 27, 2013

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

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1.1.1 Current Proceedings Before The Ontario Securities Commission

June 27, 2013

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- - - - - - - - - - - - - - - - - - - -

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

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Toronto, Ontario
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Christopher Portner	—	CP
Judith N. Robertson	—	JNR
AnneMarie Ryan	—	AMR
Charles Wesley Moore (Wes) Scott	—	CWMS

SCHEDULED OSC HEARINGS

July 3, 2013 10:00 a.m.	**Alexander Christ Doulis (aka Alexander Christos Doulis, aka Alexandros Christodoulidis) and Liberty Consulting Ltd.** s. 127 J. Feasby in attendance for Staff Panel: VK
July 4, 2013 10:00 a.m.	**Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fund and Roy Brown (a.k.a. Roy Brown-Rodrigues)** s. 127 and 127.1 D. Ferris in attendance for Staff Panel: VK
July 10, 2013 10:00 a.m.	**Bunting & Waddington Inc., Arvind Sanmugam and Julie Winget** s. 127 and 127.1 M. Britton/A. Pelletier in attendance for Staff Panel: EPK
July 11, 2013 10:00 a.m.	**Moncasa Capital Corporation and John Frederick Collins** s. 127 T. Center in attendance for Staff Panel: EPK

July 15, 2013 2:30 p.m.	**Ernst & Young LLP (Audits of Zungui Haixi Corporation)** s. 127 and 127.1 J. Superina/J. Friedman in attendance for Staff Panel: TBA
July 18, 2013 10:00 a.m.	**Heritage Education Funds Inc.** s. 127 D. Ferris in attendance for Staff Panel: JEAT
July 18, 2013 11:00 a.m.	**Vincent Ciccone and Cabo Catoche Corp. (a.k.a. Medra Corp. and Medra Corporation)** s. 127 M. Vaillancourt in attendance for Staff Panel: VK
July 19, 2013 10:00 a.m.	**Children's Education Funds Inc.** s. 127 D. Ferris in attendance for Staff Panel: JEAT
July 19, 2013 11:00 a.m.	**AMTE Services Inc., Osler Energy Corporation, Ranjit Grewal, Phillip Colbert and Edward Ozga** s. 127 C. Rossi in attendance for Staff Panel: JEAT
July 24-26, 2013 10:00 a.m.	**Jowdat Waheed and Bruce Walter** s. 127 J. Lynch in attendance for Staff Panel: CP/SBK/PLK
July 31, 2013 10:00 a.m.	**Oversea Chinese Fund Limited Partnership, Weizhen Tang and Associates Inc., Weizhen Tang Corp., and Weizhen Tang** s. 127 and 127.1 H. Craig in attendance for Staff Panel: MGC
August 1, 2013 10:00 a.m.	**Ronald James Ovenden, New Solutions Capital Inc., New Solutions Financial Corporation and New Solutions Financial (Ii) Corporation** s. 127 Y. Chisholm in attendance for Staff Panel: JEAT
August 12, 2013 2:00 p.m.	**Blackwood & Rose Inc., Steven Zetchus and Justin Kreller (also known as Justin Kay)** s. 37, 127 and 127.1 C. Rossi in attendance for Staff Panel: TBA
August 14, 2013 10:00 a.m.	**Quadrexx Asset Management Inc., Quadrexx Secured Assets Inc., Offshore Oil Vessel Supply Services LP, Quibik Income Fund and Quibik Opportunities Fund** s. 127 D. Ferris in attendance for Staff Panel: JEAT
August 20, 2013 10:30 a.m.	**Ground Wealth Inc., Michelle Dunk, Adrion Smith, Joel Webster, Douglas DeBoer, Armadillo Energy Inc., Armadillo Energy, Inc., and Armadillo Energy LLC** s. 127 J. Feasby in attendance for Staff Panel: MGC

August 27, 2013 2:30 p.m.	**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.** s. 127 J. Feasby/C. Watson in attendance for Staff Panel: JDC
September 4, 2013 10:00 a.m.	**Energy Syndications Inc. Green Syndications Inc., Syndications Canada Inc., Daniel Strumos, Michael Baum and Douglas William Chaddock** s. 127 C. Johnson in attendance for Staff Panel: AJL
September 4, 2013 11:00 a.m.	**Global Energy Group, Ltd., New Gold Limited Partnerships, Christina Harper, Howard Rash, Michael Schaumer, Elliot Feder, Vadim Tsatskin, Oded Pasternak, Alan Silverstein, Herbert Groberman, Allan Walker, Peter Robinson, Vyacheslav Brikman, Nikola Bajovski, Bruce Cohen and Andrew Shiff** s. 127 C. Watson in attendance for Staff Panel: EPK
September 5, 2013 10:00 a.m.	**2196768 Ontario Ltd carrying on business as Rare Investments, Ramadhar Dookhie, Adil Sunderji and Evgueni Todorov** s. 127 D. Campbell in attendance for Staff Panel: EPK
September 5-9 & September 11-13, 2013 10:00 a.m.	**Onix International Inc. and Tyrone Constantine Phipps** s. 127 C. Rossi in attendance for Staff Panel: TBA
September 9, 2013 10:00 a.m.	**David Charles Phillips and John Russell Wilson** s. 127 Y. Chisholm in attendance for Staff Panel: JDC/EPK/CWMS
September 11, 2013 10:00 a.m.	**North American Financial Group Inc., North American Capital Inc., Alexander Flavio Arconti, and Luigino Arconti** s. 127 M. Vaillancourt in attendance for Staff Panel: JDC
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 10:00 a.m.	**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** s. 127 U. Sheikh in attendance for Staff Panel: JDC
October 9, 2013 10:00 a.m.	**Global Consulting and Financial Services, Crown Capital Management Corporation, Canadian Private Audit Service, Executive Asset Management, Michael Chomica, Peter Siklos (also known as Peter Kuti), Jan Chomica, and Lorne Banks** s. 127 C. Rossi in attendance for Staff Panel: TBA

October 15-21, October 23-29, 2013 10:00 a.m.	**Normand Gauthier, Gentree Asset Management Inc., R.E.A.L. Group Fund III (Canada) LP, and CanPro Income Fund I, LP** s.127 B. Shulman in attendance for Staff Panel: EPK
October 22, 2013 3:00 p.m.	**Knowledge First Financial Inc.** s. 127 D. Ferris in attendance for Staff Panel: JEAT
November 4 & November 6-18, 2013 10:00 a.m.	**Systematech Solutions Inc., April Vuong and Hao Quach** s. 127 D. Ferris in attendance for Staff Panel: TBA
November 4 & November 6-11, 2013 10:00 a.m.	**Portfolio Capital Inc., David Rogerson and Amy Hanna-Rogerso** s.127 J. Lynch in attendance for Staff Panel: TBA
December 4, 2013 10:00 a.m.	**New Hudson Television Corporation, New Hudson Television L.L.C. & James Dmitry Salganov** s. 127 C. Watson in attendance for Staff Panel: TBA
January 13, January 15-27, January 29-February 10, February 12-14 & February 18-21, 2014 10:00 a.m.	**International Strategic Investments, International Strategic Investments Inc., Somin Holdings Inc., Nazim Gillani and Ryan J. Driscoll.** s. 127 C. Watson in attendance for Staff Panel: TBA
May 5-May 16 & May 20-June 20, 2014 10:00 a.m.	**Paul Azeff, Korin Bobrow, Mitchell Finkelstein, Howard Jeffrey Miller and Man Kin Cheng (a.k.a. Francis Cheng)** s. 127 T. Center/D. Campbell in attendance for Staff Panel: TBA
In writing	**Morgan Dragon Development Corp., John Cheong (aka Kim Meng Cheong), Herman Tse, Devon Ricketts and Mark Griffiths** s. 127 J. Feasby in attendance for Staff Panel: EPK
TBA	**Yama Abdullah Yaqeen** s. 8(2) J. Superina in attendance for Staff Panel: TBA
TBA	**Microsourceonline Inc., Michael Peter Anzelmo, Vito Curalli, Jaime S. Lobo, Sumit Majumdar and Jeffrey David Mandell** s. 127 Panel: TBA
TBA	**Frank Dunn, Douglas Beatty, Michael Gollogly** s.127 Panel: TBA
TBA	**MRS Sciences Inc. (formerly Morningside Capital Corp.), Americo DeRosa, Ronald Sherman, Edward Emmons and Ivan Cavric** s. 127 & 127(1) D. Ferris in attendance for Staff Panel: TBA

TBA	**Gold-Quest International and Sandra Gale** s.127 C. Johnson in attendance for Staff Panel: TBA
TBA	**Brilliante Brasilcan Resources Corp., York Rio Resources Inc., Brian W. Aidelman, Jason Georgiadis, Richard Taylor and Victor York** s. 127 H. Craig in attendance for Staff Panel: TBA
TBA	**Uranium308 Resources Inc., Michael Friedman, George Schwartz, Peter Robinson, and Shafi Khan** s. 127 H. Craig/C. Rossi in attendance for Staff Panel: TBA
TBA	**Innovative Gifting Inc., Terence Lushington, Z2A Corp., and Christine Hewitt** s. 127 M. Vaillancourt in attendance for Staff Panel: TBA
TBA	**David M. O'Brien** s. 37, 127 and 127.1 B. Shulman in attendance for Staff Panel: TBA
TBA	**Beryl Henderson** s. 127 C. Weiler in attendance for Staff Panel: TBA
TBA	**Crown Hill Capital Corporation and Wayne Lawrence Pushka** s. 127 A. Perschy/A. Pelletier in attendance for Staff Panel: TBA
TBA	**Portus Alternative Asset Management Inc., Portus Asset Management Inc., Boaz Manor, Michael Mendelson, Michael Labanowich and John Ogg** s. 127 H Craig in attendance for Staff Panel: TBA
TBA	**Irwin Boock, Stanton Defreitas, Jason Wong, Saudia Allie, Alena Dubinsky, Alex Khodjaiants Select American Transfer Co., Leasesmart, Inc., Advanced Growing Systems, Inc., International Energy Ltd., Nutrione Corporation, Pocketop Corporation, Asia Telecom Ltd., Pharm Control Ltd., Cambridge Resources Corporation, Compushare Transfer Corporation, Federated Purchaser, Inc., TCC Industries, Inc., First National Entertainment Corporation, WGI Holdings, Inc. and Enerbrite Technologies Group** s. 127 & 127.1 D. Campbell in attendance for Staff Panel: TBA

TBA

Ernst & Young LLP

s. 127 and 127.1

A. Clark in attendance for Staff

Panel: TBA

TBA

Newer Technologies Limited, Ryan Pickering and Rodger Frey

s. 127 and 127.1

B. Shulman in attendance for staff

Panel: TBA

TBA

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

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA

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

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA

Fawad Ul Haq Khan and Khan Trading Associates Inc. carrying on business as Money Plus

s. 60 and 60.1 of the *Commodity Futures Act*

T. Center in attendance for Staff

Panel: TBA

TBA

Global RESP Corporation and Global Growth Assets Inc.

s. 127

D. Ferris in attendance for Staff

Panel: TBA

TBA

Issam El-Bouji, Global RESP Corporation, Global Growth Assets Inc., Global Educational Trust Foundation and Margaret Singh

s. 127 and 127.1

P. Foy in attendance for Staff

Panel: TBA

TBA

Rezwealth Financial Services Inc., Pamela Ramoutar, Justin Ramoutar, Tiffin Financial Corporation, Daniel Tiffin, 2150129 Ontario Inc., Sylvan Blackett, 1778445 Ontario Inc. and Willoughby Smith

s. 127(1) & (5)

A. Heydon/Y. Chisholm in attendance for Staff

Panel : TBA

TBA

Garth H. Drabinsky, Myron I. Gottlieb and Gordon Eckstein

s. 127

A. Clark/J. Friedman in attendance for Staff

Panel: TBA

TBA

Global Consulting and Financial Services, Global Capital Group, Crown Capital Management Corp., Michael Chomica, Jan Chomica and Lorne Banks

s.127

C. Rossi in attendance for Staff

Panel: TBA

TBA

New Hudson Television LLC & Dmitry James Salganov

s. 127

C. Watson in attendance for Staff

Panel: TBA

TBA **Global Consulting and Financial Services, Crown Capital Management Corporation, Canadian Private Audit Service, Executive Asset Management, Michael Chomica, Peter Siklos (also known as Peter Kuti), Jan Chomica, and Lorne Banks**

s.127

C. Rossi in attendance for Staff

Panel: TBA

TBA **Pro-Financial Asset Management Inc.**

s. 127

D. Ferris in attendance for Staff

Panel: TBA

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

s. 37, 127 and 127.1

C. Price in attendance for Staff

Panel: TBA

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

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

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

1.1.2 OSC Notice 11-768 – Notice of Statement of Priorities for Financial Year to End March 31, 2014

OSC NOTICE 11-768
Notice of Statement of Priorities for Financial Year to End March 31, 2014

The *Securities Act* requires the Commission to deliver to the Minister by June 30th of each year a statement of the Commission setting out its priorities for its current financial year in connection with the administration of the Act, the regulations and rules, together with a summary of the reasons for the adoption of the priorities.

In the notice published by the Commission on April 4, 2013 (36 OSCB 3424), the Commission presented its draft Statement of Priorities (SoP). Prior to finalizing and publishing its final 2013/2014 SoP the OSC sought public input on these plans. Twenty-six (26) responses were received. Overall, the responses were supportive of the direction of the OSC goals and priorities and expressed:

(a) Strong support for OSC outreach and engagement efforts including "OSC in the Community"

(b) Continued endorsement of OSC's commitment to expand its research and data analysis capabilities in order to adopt a data-based approach to identifying issues, decision making and policy development

(c) Support for the OSC's efforts to develop, implement and promote adherence to internationally recognized and consistent standards of regulation. One commenter cautioned that all international trends should be monitored with a Canadian lens. Another commenter noted that alignment at the national level should also be pursued.

(d) Solid support for the proposed review of the fixed income market and development of an action plan to identify and develop proposals to address specific key gaps or risks to investors. A number of respondents noted that seniors and those approaching retirement are at particular risk as they turn to fixed income investments to preserve their savings.

In the past commenters have told the OSC that it has too many priorities. In response to this feedback, the OSC worked hard to reduce the number of priorities in its 2013/2014 SoP. As a result, the draft document set out thirteen key priorities that the OSC believes will address the key market issues and challenges and measurably benefit investors and other market participants. Within this context, the OSC has considered all of the comments received and reviewed its draft SoP to determine whether any significant initiatives should be added. Of the issues identified in the comment letters, the OSC has decided to revise the SoP to include one additional priority related to shareholder democracy issues. It is worth noting that many of the issues identified by commenters for action will be addressed as part of our broader plans which continue to evolve as issues emerge. For instance, the OSC will be working to address the recently announced Ontario Government initiative aimed at increasing the representation of women on boards of directors. We would also note that many of the suggestions set out in the comment letters will be useful as we work to achieve our identified priorities and other business initiatives. The following is a brief discussion of the most notable comments where a broader range of views were provided:

(a) There was widespread support for the OSC's intention to improve its cost-benefit analysis capability. A number of commenters continue to believe that additional consideration of the costs of compliance with regulations is needed and would like to see the cost-benefit analyses and calculations that are used by the OSC as support for the conclusion to proceed with a particular rule proposal. One commenter cautioned that a full cost-benefit analysis may not be appropriate for some regulatory proposals because extensive cost-benefit testing is time-consuming and imprecise, and it is quite common in regulatory impact analysis to find that important benefits and costs cannot be quantified. The OSC concurs with the views regarding the importance and value of cost benefit analysis in assessing options and measuring its work. A key part of our plan is to improve our cost benefit analysis of regulatory proposals and to improve the quality of this critical tool. As part of this analysis, we will be looking to industry to inform our process by providing input and assessment of expected impacts.

Other examples of accountability also continue to be an area of focus in the comments. A number of commenters requested the OSC to provide more precise details on the planned timing for specific priorities.

The OSC is working to develop better performance indicators to track the outcomes of OSC activities and report more clearly on progress. We are committed to undertaking more rigorous cost benefit analysis at the outset of each initiative but agree with the commenter that often the important benefits and costs cannot be quantified. The priorities do not have timelines because it is implicit that deliverables (e.g. publish a paper, hold roundtables) identified in our plan for 2013-2014 are to be achieved in that timeframe. We expect to rely on surveys as a way to measure outcomes and plan to use our advisory committee members as a prime source for feedback on our performance.

(b) Since publishing its draft SoP the OSC has held a number of discussions as part of its "OSC in the Community" and roundtable initiatives. This feedback has underscored our view that the issues surrounding a "best interest duty" and

"mutual fund fees" are complex and some aspects of the issues are interrelated. This is supported by the range of comments received on the SoP that are set out below:

Best Interest

A significant number of commenters provided their view on a best interest duty. Commenters noted that existing standards of conduct do not address the problems associated with asymmetry in investment knowledge between advisors/ dealers and their retail clients and investors must be protected through higher standards than today's inadequate suitability regime. Commenters also suggested a number of points to consider as part of this review including:

- study the potential impacts on dealers and advisers of imposing a best interest duty
- consider the ways that imposing a best interest duty could affect investors
- consider the impact of not imposing a best interest duty
- conduct thorough market impact research of similar actions in other jurisdictions, including whether the investor is better served under the new regimes
- a robust legal analysis should be included as part of the OSC's initial assessment of the application of a best interest duty for advisers and dealers
- consider that Canadians may be forced away from an advice-driven model, which may precipitate further unintended consequences.

It is important to fully understand what the best interest duty really means and what options there may be to improve the investor/advisor relationship. Commenters were split between review, consult and study, and a desire to see the OSC move expeditiously to decide on the merits of a statutory best interest duty and towards implementation as soon as practical.

A number of commenters provided suggestions regarding proficiency and the need for standards for advisers. The comments and issues raised will be considered as part of our review of advisers' responsibilities to investors.

Mutual Fund Fees

Mutual fund fees proposals continue to generate a lot of attention. OSC staff held a recent roundtable to discuss several important themes raised by commenters on the mutual fund fees proposals, including:

- The role embedded compensation plays in access to advice for small retail investors in the Canadian market
- The nature and scope of the services received for trailing commissions
- The impact of current disclosure initiatives and whether regulatory action beyond disclosure is warranted at this time

The SoP commenters also raised concerns about embedded commissions, the need for greater transparency as well as a caution that changing the embedded commission approach could impact investors' ability to access advice. Some stakeholders had the view that mutual funds attract disproportionate regulation and it was also suggested that it might be prudent to more fully assess the impact of recent regulatory changes (e.g. implementation of cost and performance reporting) prior to introducing additional regulatory changes. The information and views provided by commenters is helpful and supports our plan for further consultation to determine appropriate and balanced solutions to these issues.

Next Steps

As noted earlier, our roundtable feedback highlighted some elements of interconnectedness of these issues. The need for clear understanding of the issues and careful analysis of the potential impacts is critical as the regulatory choices will likely have material impacts. As a result, the OSC does not expect these issues to be fully resolved in 2013-2014.

The OSC agrees with the Investor Advisory Panel that:

> *"a fair advice regime which delivers robust investor protection will benefit Canada's investment industry, whose business models ultimately derive their success from earning the trust and confidence of their clients."*

The OSC is committed to developing a balanced and responsible solution that best meets the needs of investors and market participants. In 2013-2014 the OSC will complete its consultations on these issues and publish a document that includes an update of its consultation findings and identifies proposed next steps to address these issues.

(c) Comments were supportive of our proposed "mystery shop" research sweep of advisors to gauge the suitability of advice currently being provided and identify areas of concern. A number of commenters pointed to a need for a clear definition of "suitability". Suggestions ranged from broadening the scope to include dealers and publishing examples of unsuitable advice to pursuing visible enforcement action. For clarity, the mystery shop will include dealer registrants.

(d) A significant number of comments focussed on exempt market issues including alternative capital raising exemptions and possible adoption of an offering memorandum exemption in Ontario to increase and expand the capital raising capabilities of exempt market dealers. Concerns were expressed about non-compliance with current exempt market rules, a perception of weak oversight and questions about the OSC's ability to ensure adequate compliance with the rules should it broaden the available exemptions. It was suggested that regulators do not have adequate data regarding the exempt market in Canada from which to make informed decisions on new exemptions, including crowdfunding.

Support for exempt market changes was mixed with some calling for implementation of a harmonized offering memorandum (OM) exemption that is applicable in all CSA jurisdictions with others completely opposed or expressing caution against the introduction of any new exemptions absent adequate data regarding the exempt market in Canada. Almost all commenters were opposed to crowdfunding citing investor protection concerns.

This lack of congruity in support for any one exempt market policy option is evidence of the need for the consultations and review of the options that are proposed.

(e) Shareholder democracy is important to all investors, both institutional and retail, and is an important element that supports investor confidence in the regulatory regime. One commenter suggested that an independent systemic review is the most valuable contribution the OSC could make to improve the proxy voting system, and only the OSC (or the CSA) have the authority to conduct a review that will be credible for everyone with an interest in the integrity of system. Numerous commenters encouraged the OSC to continue the review and regulatory development of the shareholder democracy issues begun in OSC Staff Notice 54-701, including slate voting and majority voting for uncontested director elections; shareholder votes on compensation; and the effectiveness of the proxy voting system and that this work warrants inclusion in the Commission's SoP until the issues have been fully addressed.

(f) A number of commenters raised concerns about complaint handling, dispute resolution and redress mechanisms. The Canadian Securities Administrators, including the OSC have proposed a rule aimed at ensuring that Canadian financial consumers have access to an effective, independent ombudservice. The rule proposes to mandate the Ombudsman for Banking Services and Investments (OBSI) as the common dispute resolution service for the securities industry.

(g) A number of commenters suggested that there is a real need for a single, comprehensive tool that would allow investors to check the securities regulatory background of a potential advisor or investment firm. The OSC agrees that this would be a useful addition for investors and is supporting CSA efforts to implement a more comprehensive, one-stop information source for investors.

(h) The IAP and other investor advocates recommend a stronger and clearer focus on seniors' issues specifically in its policy development, compliance and enforcement. They note that seniors are highly vulnerable for a range of reasons. They suggest that the Commission should establish a priority on dealing with the elderly including addressing the risk of seniors' outliving their assets and their declining ability to manage their money as they age. Other suggestions include:

- establishing a seniors issues branch
- a need to develop a coordinated crackdown on financial elder abuse
- adoption of the NASAA model rule on the use of senior-specific certifications and professional designations

The issues related to seniors are numerous and complex. The OSC agrees with the suggestion to support the Office of the Investor and provide the resources needed to provide additional focus and attention on seniors.

The OSC would like to thank all commenters for taking the time to provide their input and ideas for this process. All of the comment letters and our responses to the comments are available on our website www.osc.gov.on.ca. The SoP will serve as the guide for the Commission's operations. Following delivery of the SoP to the Minister, we will also publish on our website a report on our progress against our 2012– 2013 priorities.

June 27, 2013

Ontario Securities Commission

2013-2014 – Statement of Priorities

Introduction

The *Securities Act* (Ontario) requires the Ontario Securities Commission (OSC) to publish in its Bulletin, and to deliver to the Minister by June 30 of each year, a statement by the Chair setting out the proposed priorities for the Commission for the current financial year.

This Statement of Priorities sets out the OSC's strategic goals and the specific initiatives that will be pursued in support of each of these goals in the fiscal year commencing April 1, 2013. It also discusses the environmental factors that the OSC considered in setting these goals.

The OSC is accountable for delivering its regulatory services economically, effectively and efficiently.

OSC Vision

To be an effective and responsive securities regulator – fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

OSC Mandate

To provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets. The mandate is established by statute.

OSC Organizational Goals

1. Deliver strong investor protection

2. Deliver responsive regulation

3. Deliver effective enforcement and compliance

4. Support and promote financial stability

5. Run a modern, accountable and efficient organization

Key Regulatory Priorities for 2013–2014

This document describes the actions that the OSC will take in 2013-2014 to address each of the priorities and its related goals. While the proposed priorities will potentially impact more than one organizational goal, each priority is identified only under the specific goal where the greatest impact is expected. In certain cases, the process required to properly assess the issues, including consultations with market participants, and then to develop and implement appropriate regulatory solutions, may take more than one year to complete.

The OSC regulates in a context of rapid changes in market structure, technology, investment products and the global regulatory regime. In this environment, the OSC faces a growing array of challenges and must use its finite resources as efficiently as possible. This Statement of Priorities identifies the most important areas where the OSC intends to focus those resources.

1. The OSC is expanding its outreach to investors and community leaders across Ontario to hear their concerns and issues. Staff will meet with investors and other stakeholders at events in their communities to gather feedback that will help inform the development of effective regulatory policy in support of the OSC mandate.

2. The OSC recognizes that cost-effective access to capital is critical to companies of all sizes to grow and develop. To address growing interest in alternative capital raising techniques, such as crowdfunding, the OSC will consider the regulatory issues posed by these new capital-raising strategies. If appropriate, the OSC will propose changes to its current offering rules to facilitate capital formation for small businesses while maintaining important investor protections provided under securities law.

3. In its compliance oversight, the OSC will use outreach to registrants and reporting issuers to foster compliance with relevant regulatory requirements, especially suitability obligations for registrants. Staff will continue the OSC's

preventative approach to compliance oversight. Staff will also proactively expand the use of communications strategies to warn investors about potential harm.

4. The OSC is intensifying its enforcement program and will target the most serious harm, including fraudulent activity and the failure to provide investors with full and complete information. The OSC will continue to pursue more cases, especially those involving fraud, before the courts, where it can seek jail sentences for violations of the Securities Act (Ontario) and breaches of Commission orders.

5. Keeping pace with the rapid evolution of market structures will remain a key area of focus in 2013-2014. The OSC will examine the issues associated with the evolution of the markets, including the impact of the order protection rule, algorithmic and other electronic trading and market data fees, to determine what regulatory responses may be required.

The OSC always faces pressure to move faster and to coordinate its actions more efficiently as it responds to a range of complex issues. It strives to be as responsive and innovative as possible in its contributions to collaborative policy responses with securities and other regulators. The OSC is committed to enhanced co-operation and information-sharing with the CSA, the International Organization of Securities Commissions (IOSCO) and other international agencies and consulting, when appropriate, with the provincial government.

Summary of 2013-2014 OSC Priorities

Deliver strong investor protection	
Issue/Priority	**Proposed Actions**
1. Investor Outreach and Focus	• Engage investors and investor advocacy groups, including the Investor Advisory Panel, through community meetings and outreach, such as the "OSC in the Community", and focus groups to better understand investors' key concerns • Publish a list of key findings from consultations
2. Disclosure to Investors	• Provide investors with more effective and meaningful disclosure: a) Publish a rule requiring advisers and dealers to provide cost disclosure and performance reporting in client statements to investors and communicate progress on implementation b) Publish final proposals for delivery of Fund Facts instead of a mutual fund prospectus c) Develop a summary document for ETFs and consider mechanisms for delivery
3. Adviser Responsibilities to Investors	• Work with investors and SROs to examine and better understand the impact of imposing a best interest duty on dealers and advisers a) Conduct a "mystery shop" research sweep of advisers to gauge the suitability of advice currently being provided and identify areas of concern and assist in targeting future OSC suitability sweeps b) Publish an update of consultation findings by Fall 2013. Identify options to move forward and complete a preliminary regulatory impact analysis of the application of a best interest duty for advisers and dealers by March 2014.
4. Mutual Fund Fees	• Advance the discussion of mutual fund fees and fees for other investment products: a) Consider comments on the discussion paper published by the OSC on the regulatory options available to address embedded commissions and existing inequities in the way mutual fund fees are charged b) Host a stakeholder roundtable and develop recommendations for next steps c) Publish an update with consultation findings and a proposed strategy for next steps by Fall 2013.
5. Shareholder Democracy	• Improve shareholder democracy and protection by: a) facilitating the adoption of majority voting for elections of directors by issuers listed on the Toronto Stock Exchange b) identifying the key proxy voting infrastructure issues and publishing a consultation paper

Deliver responsive regulation	
Issue/Priority	**Proposed Actions**
6. Capital markets accessibility	• Complete stakeholder consultations and assessment of feedback on exempt market consultation paper published in December 2012 • Engage businesses and business associations on access to capital, through outreach such as OSC in the Community • Determine options to move forward on expanding ways to access capital for issuers in Ontario and publish progress update
7. Market Structure Evolution	• Examine the evolution of the Canadian capital market structure and the impact of the order protection rule, algorithmic and other electronic trading, and market data fees • Solicit stakeholder feedback on these issues and, where appropriate, develop options for possible regulatory changes and an articulation of market principles
8. Regulation of Fixed Income Securities	• Review the OSC's regulation of the fixed income market and obtain feedback from key stakeholders • Develop an action plan to address specific key gaps or risks
Deliver effective enforcement and compliance	
Issue/Priority	**Proposed Actions**
9. Serious Securities-related Misconduct	• Identify the cases that should be investigated as quasi-criminal or *Criminal Code* offences, and use the appropriate tools available (e.g. temporary cease trade orders and freeze orders) in order to reduce financial crime • Align staff in specialized teams to build core expertise in criminal and quasi-criminal offences and make better use of technology to detect and halt unlawful activity • Reinforce key strategic alliances with appropriate policing agencies to strengthen and improve investigative tools applied to these cases
10. Compliance Focus on Suitability	• Complete focused compliance reviews on high risk areas/registrants a) Complete next steps in 2012-2013 compliance suitability sweep and publish results b) Publish guidance for registrants c) Make efficient and timely referrals of serious cases of unsuitable advice to Enforcement
Support and promote financial stability	
Issue/Priority	**Proposed Actions**
11. Systemic Risk to Financial Markets	• Develop rules for an OTC derivatives regulatory framework, including for clearing and trade reporting • Work with CSA colleagues to begin implementation of OTC derivatives regime
Run a modern, accountable and efficient organization	
Issue/Priority	**Proposed Actions**
12. Reliance on Data and Analysis	• Demonstrate the OSC's effective use of research, data and analysis through: a) Improved cost-benefit analysis in OSC rule proposals b) Clear examples of use of data and analytical approaches c) Identified market trends and risks d) Evidence of greater use of investor research in OSC policy development and decision-making
13. OSC Transparency and Accountability	• Commit to better reporting on performance: a) Publish a renewed service and accountability document b) Develop and implement clear performance measures for OSC activities c) Publish year end performance report using new measures
14. Update CSA National Systems	• Transition the operation of the core CSA national systems to the new service provider • Issue an RFP to design and build a new technology solution(s) to replace the core CSA national systems

The Environment – Risks and Challenges

Over the past year global economic conditions have improved in many countries. While the number of positive economic signals continues to grow, important challenges and risks remain, and economic growth in many regions remains slower than previously forecast. The recession continues in Europe but growth in Asia is expected to improve. In the United States economic conditions continue to demonstrate improvement, even in the face of fiscal constraints.

These global conditions have had and will continue to have an impact in Canada. While economic growth in Canada slowed in the second half of 2012, the Canadian economy is expected to expand at a faster rate later in 2013, in line with a recovery in the U.S. economy. Weaker global demand for commodities has impacted Canada's equity markets and the S&P/TSX Composite index is underperforming as a result of weaker performance in the materials and energy sectors.

The TSX and TSXV ranked third in the world for equity capital raised in 2012 but IPO activity remains lower than 2011 levels. Corporate bond issuances remain strong given investor appetite for yield. Despite remaining economic uncertainty, the asset management sector continues to show strength, with mutual fund assets and sales now exceeding their pre-crisis peaks.

Capital markets exist for issuers to raise capital and for those with savings to invest. The capital markets are complex and interconnected and the rate of innovation has increased over the last five years. The complexity of the investment products available has increased and the distinctions between securities, insurance and banking products has blurred as these products become more interchangeable.

This trend has challenged retail investors' ability to determine product suitability. The disclosure documents for investment product offerings are comprehensive but they are not necessarily always comprehensible to all investors. In an environment where it is challenging to achieve attractive returns, these developments may increase the reliance of investors on quality financial advice. The evolution of the wealth management industry away from transaction based fees towards more asset based revenue models may raise new issues with adviser behaviour at a time when there is greater investor need for objective financial advice. Within this context, global regulators are increasingly focused on ensuring investors have access to sound and appropriate advice.

Given continued uncertainty in global equity markets and the historically low interest rate environment, investors – both institutional and retail – have cast a wider net in search of return. More investors have broadened their investments beyond equities and saving and now include fixed income, real estate, private equity and other strategies as they search for better returns. This demand for yield may increase the potential for mis-selling, as investors may be drawn to securities that have a risk profile that may not be consistent with their investment goals, investment horizon or tolerance for risk and may prove to be unsuitable in a changing economic climate. The flow of assets into fixed income securities, either directly or into mutual funds, also raises questions about whether investors understand the impact of interest rate changes on their investments.

Market structure has also seen significant change and innovation over the last five years. The increased use of technologies such as high frequency and algorithmic trading and greater integration of markets across provincial and national boundaries have resulted in substantial changes in how markets operate. Market participants face an array of issues, including lower levels of retail activity, new trading strategies, multiple trading platforms, differentiated fee structures, and rising data costs. These factors affect the financial viability of market participants, challenge existing business models, and may lead to greater consolidation or require additional innovation in how business is conducted.

All of these changes have added to the risks that must be addressed by regulators here in Ontario and globally. In addition to its core activities of registration, review of disclosure, compliance monitoring, enforcement activities and policy development, the OSC must identify, assess, and determine the appropriate regulatory responses to issues in a world where a failure in one area of the marketplace can have significant systemic consequences. New issues continue to emerge, such as integrated market oversight and financial benchmarks, that raise concerns about transparency and accountability and require new regulatory responses and oversight in areas not previously subject to such scrutiny. To ensure the ongoing competitiveness and attractiveness of Ontario's capital markets, the OSC will remain actively engaged internationally, with organizations such as the International Organization of Securities Commissions (IOSCO). The OSC will be involved in the development of international regulatory standards with a view to aligning these standards to the unique features of Ontario's capital markets.

Enforcement continues to play a central role in maintaining and enhancing trust in Ontario's capital markets. New challenges include international investigations that underscore the need for comparable regulatory regimes globally and the importance of international regulatory co-operation. Consultation both domestically and abroad is becoming a more integral element of OSC operations as many of its enforcement investigations and actions involve activity beyond Ontario's borders.

The OSC is working to address feedback from stakeholders about improving accountability by increasing transparency of its regulatory performance. Throughout this document, when success measures refer to stakeholder feedback, that is meant to include a broad range of stakeholders including investors, registrants and issuers and OSC advisory committees.

As the OSC's work continues to expand, new tools and resources with specialized skills will be required to meet the evolving demands that it faces. The OSC has the additional challenge of trying to address these issues while adhering to the Ontario government's fiscal constraints. As the OSC moves to meet its challenges, it will continue to aggressively pursue process efficiencies, do more with its existing resources and report on its progress.

1. What the OSC is doing to deliver strong investor protection

Investor Outreach and Focus

The OSC is strengthening its efforts for the protection of investors in everything it does. The OSC's Office of the Investor (OI) was created to strengthen the OSC's investor engagement and co-ordinate all investor-related initiatives, including working with the Investor Education Fund and supporting the OSC Investor Advisory Panel. The OI is leading the effort to elevate investor engagement in order to better identify and address relevant issues and concerns. It will coordinate initiatives with investors, advocacy groups, other regulators and OSC staff. In addition, more resources are being devoted to identifying, understanding and addressing emerging risks, capital market trends and new product developments that may affect investors, particularly retail investors.

Investor confidence in the capital markets can be affected by many factors including the stability of the financial system, the degree investors feel protected and their perception of the effectiveness of market supervision and enforcement activities. A key challenge for the OSC is to demonstrate effective market oversight to foster fair and efficient capital markets.

Priority 1 Issue	**Investor confidence has been shaken resulting in reduced market participation. The OSC must reach out to investors to determine the steps needed to protect their interests**
Action Plan	1. Engage investors and investor advocacy groups, including the Investor Advisory Panel, through community meetings and outreach, such as the "OSC in the Community", and focus groups to better understand investors' key concerns 2. Publish a list of key findings from consultations
Success Measures	1. Surveys and direct stakeholder feedback will confirm: a) The OSC is focused on the right issues to protect investor interests b) Support for the consultation approach 2. OSC policy and regulatory proposals will reflect a better understanding of investor issues

Disclosure to Investors

Research indicates that many investors have trouble finding and understanding the information that is set out in a prospectus. Many investors also lack an adequate understanding of investment and performance terms, and the risks and costs (explicit or embedded) of financial products and services. Detailed testing and research on investor preferences for mutual fund information have also confirmed that investors prefer to receive a concise summary of key information, including a simple explanation of expenses and fees, dealer compensation and investor rights.

Financial literacy research reinforces the need for clear and simple disclosure to not only help investors make investment decisions, but to facilitate investor protection. The Fund Facts document for mutual funds is now available to investors, and the CSA is working on further enhancements, particularly around risk disclosure. Increasingly complex investment products, such as leveraged, exchange-traded funds, are another area where investor protection could be significantly improved by providing investors with a clear, short summary document. This document could be used to assist investors in their decision-making processes and discussions with their dealer representatives.

Performance reporting is essential for investors if they are to be able to assess their progress towards meeting their financial goals and to determine the value of the professional advice they receive. Research shows that a significant proportion of investors are not receiving this information, and that where information is provided it is not in a form they can use. The OSC will continue to work with the CSA to complete a rule to introduce mandatory cost disclosure and performance reporting in client statements. The rule will provide investors with significantly more information about the cost and performance of their investments and will introduce a common baseline of requirements applicable to all dealers and advisers. This is a multi-year initiative that will better position retail investors to determine whether they have an effective investment plan, realistic expectations for their investment returns and whether they are getting good value from their dealer/adviser.

Priority 2 Issue	**Investors are at risk and may not make informed decisions because they often do not understand or use the information provided to them, in particular because the information may be unclear, complex or not consistent across different product types**
Action Plan	1. Provide investors with more effective and meaningful disclosure: a) Publish a rule requiring advisers and dealers to provide cost disclosure and performance reporting in client statements to investors and communicate progress on implementation b) Publish final proposals for delivery of Fund Facts instead of a mutual fund prospectus c) Develop a summary document for ETFs and consider mechanisms for delivery
Success Measures	1. Disclosure improvements (Fund Facts, ETF summary disclosure) are advanced 2. Feedback received on approaches assists in moving these improvements forward 3. Cost disclosure and performance reporting rule will be in effect and implementation will begin

Adviser Responsibilities to Investors

Issuers, product manufacturers and intermediaries must meet high standards of conduct and disclosure in order to earn the trust and confidence of investors. While disclosure is important, the provision of fair advice by qualified advisers is a key element that affects investor confidence. There are concerns that the current standard of conduct may not adequately address the information and financial literacy imbalances that exist between advisers and dealers and their retail clients.

The CSA published a consultation paper in 2012 that examined whether there is a need for an explicit statutory best interest duty (or other standard) to apply to advisers and dealers who advise retail investors. The OSC received a significant number of comments through this process. At issue is whether or not the current standard of suitability applicable to advisers and dealers when dealing with their clients offers sufficient investor protection. This is a complex issue that requires careful consideration in order to protect investors while recognizing challenges to the current business models of market participants. This initiative will remain a priority in 2013-2014.

Priority 3 Issue	**An expectation gap exists if investors incorrectly assume that their adviser/dealer must always give advice that is in their best interests. As a result the current standard of conduct applicable to advisers and dealers may not adequately protect retail investors**
Action Plan	1. Work with investors and SROs to examine and better understand the impact of imposing a best interest duty on dealers and advisers a) Conduct a mystery shop[1] research sweep of advisers to gauge the suitability of advice currently being provided, identify areas of concern and assist in targeting future OSC suitability sweeps b) Publish an update of consultation findings by Fall 2013. Identify options to move forward and complete a preliminary regulatory impact analysis of the application of a best interest duty for advisers and dealers by March 2014.
Success Measures	1. Positive stakeholder feedback on engagement in the consultation process and the quality and balance of the OSC's policy and impact analysis 2. Research sweeps completed and summary report presented to the Commission

Mutual Fund Fees

Mutual funds make up the largest share of investable assets for the typical Canadian household. Most mutual funds are purchased through an adviser. Research indicates that many investors do not understand the costs of mutual funds before investing, and many have a limited understanding of the different types of costs associated with mutual funds, including embedded trailing commissions.

To date, the OSC has focused its efforts on enhancing the transparency of fund fees for investors. A number of comparative studies on fund fees indicate that Canadian mutual fund fees are among the highest in the world. In light of this and other key issues, including concerns of cross-subsidization and conflicts of interest associated with the fee structure of Canadian mutual funds, the OSC will continue to examine whether regulatory reforms are needed to address investor protection and fairness issues.

[1] Mystery shopping is a tool that can be used to measure quality of service or compliance with regulation. The mystery consumer's specific identity and purpose is generally not known by the entity being evaluated. In this case, individuals will pose as investors seeking investment advice and provide detailed reports or feedback about their experiences.

Priority 4 Issue	**Many investors do not understand the actual costs of investing in mutual funds and other investment products. The fee structure used by mutual funds in Canada may raise investor protection and fairness issues**
Action Plan	1. Advance the discussion of mutual fund fees and fees for other investment products: a) Consider comments on the discussion paper published by the OSC on the regulatory options available to address embedded commissions and existing inequities in the way mutual fund fees are charged b) Host a stakeholder roundtable and develop recommendations for next steps c) Publish an update with consultation findings and a proposed strategy for next steps by Fall 2013.
Success Measures	1. Positive feedback from stakeholders on engagement in the consultation process (e.g. roundtables, IAP) and the quality of OSC's policy and impact analysis process 2. Analysis of comments will be completed and options for next steps identified

Shareholder Democracy

The OSC recognizes the importance of shareholder democracy, which allows shareholders to elect directors, vote on governance matters such as say-on-pay and approve significant transactions involving the issuer. The OSC is supportive of the Toronto Stock Exchange initiative for listed issuers to adopt majority voting as the standard for director elections. The OSC and members of the CSA are reviewing concerns about the effectiveness of the proxy voting system by which shareholder voting rights are exercised. The OSC and other members of the CSA plan to publish a concept paper in Summer 2013 to outline and seek feedback from stakeholders on issues related to the proxy voting system.

Priority 5 Issue	**Shareholder democracy**
Action Plan	1. Improve shareholder democracy and protection by: a) facilitating the adoption of majority voting for elections of directors by issuers listed on the Toronto Stock Exchange b) identifying the key proxy voting infrastructure issues and publishing a consultation paper
Success Measures	1. Positive feedback from investors and other stakeholders on the impact and effectiveness of this initiative 2. Positive stakeholder feedback on engagement in the consultation process and quality of OSC's policy and impact analysis

2. What the OSC is doing to deliver responsive regulation

Capital markets accessibility

The OSC is working to identify gaps and opportunities in the areas of capital market accessibility and capital formation through extensive engagement with investors and industry. This engagement includes outreach through targeted meetings with investors and market participants and consultations with OSC advisory committees.

Policy initiatives are underway to improve shareholder democracy and protection, including final rules for a new, clear and fair regime for the use of shareholder rights plans. In addition, the OSC is committed to using a more evidence-based policy making approach as a key to delivering effective financial market regulation. This approach includes greater use of market data to assist the OSC's analysis of developments, risks and opportunities in the markets. In the private market, the OSC will review the capital-raising exemptions to determine if there are opportunities to improve access to capital for issuers while maintaining an appropriate level of investor protection.

Priority 6 Issue	Businesses and investors may not have adequate access to capital or investment opportunities in the exempt market
Action Plan	1. Complete stakeholder consultations and assessment of feedback on exempt market consultation paper published in December 2012 2. Engage businesses and business associations on access to capital, through outreach such as OSC in the Community 3. Determine options to move forward on expanding ways to access capital for issuers in Ontario and publish progress update
Success Measures	1. The OSC will better understand the risks and opportunities associated with expanding access to capital in the exempt market 2. Analysis of feedback will be completed 3. Proposals will clearly reflect the balance between promoting access to capital and efficient capital formation with investor protection

Market Structure Evolution

The OSC will continue its work on initiatives that aim to foster fair and efficient markets and trading. Markets have experienced significant change and innovation in their structures over the past five years, largely due to advancements in technology and increased competition. It is an enduring objective of the OSC's work in this area that markets remain fair and participants have confidence in market quality and integrity, including order-entry, execution and settlement processes.

The OSC needs to review its existing oversight programs and, where necessary, design and implement enhanced, risk-based oversight programs that are focused on areas of greatest risk and harm and meet the needs of changing markets. During 2013-2014, the OSC will conduct oversight reviews of regulated entities (Investment Industry Regulatory Organization of Canada and CDS Inc.) to assess current compliance and whether the terms and conditions of their recognition orders continue to be appropriate.

The use of technology has increased the speed, capacity and complexity of trading securities. Many questions have been raised about the impact of high frequency trading (HFT) on the efficiency and quality of markets and about the risks posed by the technologies that support HFT and other forms of electronic trading. The OSC has introduced requirements for controls and testing of algorithms, and for mechanisms to terminate a participant's access. These requirements are intended to manage the risks associated with electronic trading generally and would apply to HFT and other algorithmic trading. To keep pace with current and future developments, the OSC will need to design controls to mitigate the risks of technological changes and review whether existing rules are appropriate in this environment.

Priority 7 Issue	The continued rapid evolution of market structures and trading strategies is a potential source of risk
Action Plan	1. Examine the evolution of the Canadian capital market structure and the impact of the order protection rule, algorithmic and other electronic trading, and market data fees 2. Solicit stakeholder feedback on these issues and, where appropriate, develop options for possible regulatory changes and an articulation of market principles
Success Measures	1. Results of the issues examined will be published 2. Positive external feedback on the consultation process and quality of OSC's policy and impact analysis

Regulation of Fixed Income Securities

Fixed income securities have a broad scope and a pervasive impact on the economy. Fixed income markets, and in particular interest rates, are affected by international economic issues. Issues such as transparency and investor search for yield in a low interest rate environment are a potential source of risk. The OSC needs to better understand the significant issues affecting fixed income securities and those who invest in them, and to review its current approach to regulation to determine if any changes are required.

Priority 8 Issue	The OSC needs to review its oversight of fixed income markets to determine if changes in regulatory approach are required
Action Plan	1. Review the OSC's regulation of the fixed income market and obtain feedback from key stakeholders 2. Develop an action plan to address specific key gaps or risks
Success Measures	1. Review completed, results published and recommendations provided to the Commission 2. Positive external feedback on the consultation process and quality of OSC's policy and impact analysis

3. What the OSC is doing to deliver effective enforcement and compliance

The OSC will continue to focus on the need to promote improved, proactive compliance and credible deterrence, and to take effective enforcement action where warranted. The OSC will protect the interests of investors by taking action against firms and individuals who do not comply with Ontario securities law and/or act in a manner contrary to the public interest.

The OSC is committed to improving the efficiency and effectiveness of its enforcement processes, and will take the following steps towards this outcome:

- Optimize resource allocation by adopting a more risk-based approach to case triage
- Maximize the use of market intelligence/surveillance and data analysis capabilities, including increased use of technology
- Coordinate information-gathering processes and protocols that leverage staff expertise and facilitate proactive supervision
- Utilize the entire spectrum of compliance/enforcement tools
- Increase focus on addressing criminal behaviour by seeking additional enforcement tools

The OSC will seek to improve the efficiency and timelines of its enforcement work through targeted case selection, the use of co-ordinated multi-Branch work plans and various strategies to increase early detection of illegal securities-related activity.

Serious Securities-related Misconduct

The OSC will specifically increase its focus on seeking criminal or quasi-criminal sanctions when appropriate.

Priority 9 Issue	The OSC will vigorously pursue serious securities-related misconduct by bringing an increased number of criminal and quasi-criminal proceedings
Action Plan	1. Identify the cases that should be investigated as quasi-criminal or *Criminal Code* offences, and use the appropriate tools available (e.g. temporary cease trade orders and freeze orders) in order to reduce financial crime 2. Align staff in specialized teams to build core expertise in criminal and quasi-criminal offences and make better use of technology to detect and halt unlawful activity 3. Reinforce key strategic alliances with appropriate policing agencies to strengthen and improve investigative tools applied to these cases
Success Measures	1. More proceedings being commenced in provincial court 2. Feedback confirms public support for this approach

Compliance Focus on Suitability

Growth in the range and complexity of investment products is challenging the ability of retail investors to understand investment products and leading to increased investor reliance on financial advice. This has increased the need for the OSC to:

- Better educate investors about the dangers they may face from unregistered entities and advisers
- Clearly communicate expectations and guidance to registrants, including the need to have effective compliance systems and controls in place
- Confirm that the advice being provided to investors is suitable and unbiased through "mystery shopping" and other compliance reviews

- Work with standard setters to advance registrant proficiency through changes to professional standards and industry examinations

Priority 10 Issue	Investors are at risk if advisers fail to provide suitable investment advice
Action Plan	1. Complete focused compliance reviews on high risk areas/registrants a) Complete next steps in 2012-2013 compliance suitability sweep and publish results b) Publish guidance for registrants c) Make efficient and timely referrals of serious cases of unsuitable advice to Enforcement
Success Measures	1. Reviews identify issues and result in improved compliance by registrants; highest risk areas with greatest harms are addressed 2. Positive feedback from stakeholders on the effectiveness of the compliance review program

4. What the OSC is doing to promote financial stability

The OSC is actively involved in efforts by international organizations, such as IOSCO, to develop, implement and promote adherence to internationally-recognised and consistent standards of regulation, oversight and enforcement. Increasingly interconnected global capital markets create systemic risk both in Ontario's capital markets and markets internationally, and ultimately transmit risk among the world's economies.

Recent issues related to the setting of LIBOR have generated increased focus on the integrity and accuracy of financial benchmarks. The OSC will continue to work with other regulatory authorities to develop a clear framework that addresses these concerns globally. This work will also provide guidance for the development of a proposed regulatory framework for the oversight of key financial benchmarks in Canada.

In accordance with Canada's G20 commitments, the OSC is committed to the development of a regulatory system for OTC derivatives that promotes financial stability and which can be supported by strong systemic risk oversight. The key goals of this regulatory system include reducing systemic counterparty risk, enabling greater transparency of OTC markets, and harmonising standards for clearing houses.

Priority 11 Issue	Increasingly interconnected global financial markets present systemic risk to financial market stability
Action Plan	1. Develop rules for an OTC derivatives regulatory framework, including for clearing and trade reporting 2. Work with CSA colleagues to begin implementation of OTC derivatives regime
Success Measures	1. Rules establishing an appropriate regulatory regime are published and progress on regime implementation is underway

5. What the OSC is doing to be a modern, efficient and accountable organization

A number of the priorities below address the key strategies set out in the OSC 2012-2015 Strategic Plan to make the OSC a more proactive, agile and effective securities regulator.

The OSC strives to be efficient, effective and accountable in delivering its mandate. The ongoing demands of regulating the capital markets mean that the OSC work environment must be progressive and resources, processes and systems must continually evolve to meet new market developments and challenges. To meet this challenge the OSC will:

- Improve its regulatory capacity through the development of people and expertise (e.g., training, secondments), and the creation of resource room to focus on priorities

- Improve the timeliness, effectiveness and efficiency of Commission adjudicative processes, including design and implementation of a new tribunal e-hearing and filing system

- Invest in IT infrastructure to provide better tools to gather and use data and information to support a fact-based approach to investor issues, market developments and rule-making

Reliance on Data and Analysis

The OSC is committed to increasing its reliance on data and analysis in undertaking its work.

Priority 12 Issue	**Continued growth in the complexity of products, trading approaches and the interconnectedness of markets requires greater reliance on data and analysis to support OSC work**
Action Plan	1. Demonstrate the OSC's effective use of research, data and analysis through: a) Improved cost-benefit analysis in OSC rule proposals b) Clear examples of use of data and analytical approaches c) Identified market trends and risks d) Evidence of greater use of investor research in OSC policy development and decision-making
Success Measures	1. Improved impact analysis content in consultation documents and notices of rules 2. Visible use of data to support regulatory changes to the exempt market 3. Positive stakeholder feedback on the approach and quality of OSC's policy and impact analysis

OSC Transparency and Accountability

The OSC will take steps to be a more transparent and accountable regulator. The OSC will provide continuous and transparent stakeholder communications so that stakeholders know what the OSC is doing, how it is doing it and why it is doing it. The OSC will also demonstrate improved accountability through more detailed financial disclosure and performance reporting against its priorities.

Priority 13 Issue	**The OSC needs to better demonstrate accountability for its operational performance**
Action Plan	1. Commit to better reporting on performance: a) Publish a renewed service and accountability document b) Develop and implement clear performance measures for OSC activities c) Publish year end performance report using new measures
Success Measures	1. Positive feedback from stakeholders on the impact and effectiveness of these initiatives 2. Improved performance measures reflected in 2014/2015 Statement of Priorities

Update CSA National Systems

Compliance costs have been identified as an issue for market participants. Market participants interface with the OSC either directly or indirectly through CSA national systems. The OSC is committed to easing this burden by improving its electronic filing, data collection and payment processes. The OSC will improve market participant access and increase the efficiency and effectiveness of its operations by substantially reducing manually-filed information in 2013/2014.

The core CSA national systems (e.g., SEDAR, SEDI and NRD) have been in place for over a decade. The contracts with the service provider that currently operates the core CSA national systems on behalf of the CSA are scheduled to expire this fiscal year, and a new service provider will take over these operations. In addition, plans are underway to replace the core CSA national systems with updated systems which will improve functionality and usability. The OSC will work closely with the CSA in order to reflect the needs of its market participants in these initiatives.

Priority 14 Issue	**The core CSA national systems need to be updated and a new service provider needs to be established**
Action Plan	1. Transition the operation of the core CSA national systems to the new service provider 2. Issue an RFP to design and build a new technology solution(s) to replace the core CSA national systems
Success Measures	1. Operation of current systems - seamless transition of the operation of the core CSA national systems to the new service provider with minimal disruption to stakeholders 2. Update systems - a vendor has been retained and the design of the replacement system is underway. At completion (post 2013-2014), improved functionality and user access at lower cost to market participants will be confirmed through positive stakeholder feedback

2013 – 2014 Financial Outlook

OSC Budget Summary

($000's)	2012-13 Budget	2012-13 Actual	2013-14 Budget	2013-14 Budget to 2012-13 Budget $$$ Change	2013-14 Budget to 2012-13 Budget % Change	2013-14 Budget to 2012-13 Actual $$$ Change	2013-14 Budget to 2012-13 Actual % Change
Revenues	93,525	87,800	101,160	7,635	**8.2**	13,360	**15.2**
Expenses	99,985	97,125	103,550	3,565	**3.6**	6,425	**6.6**
Deficiency of Revenue compared with Expenses	(6,460)	(9,325)	(2,390)	4,070		6,935	
Capital Expenditures	8,060	9,060	5,660	(2,400)		(3,400)	

Revenues and Surplus

The OSC is forecasting 2013–2014 revenues to increase by 15.2% from 2012–2013 revenues. The forecast reflects the new fees and rates set out in the OSC's fee rules (13-502 and 13-503), which became effective April 1, 2013.

The fee increases were necessary for two reasons. First, the majority of the fee increases are required to address the current operating deficit and return the OSC to cost recovery. Second, additional revenues are needed to fund new resources to meet evolving regulatory responsibilities, many of which are driven by IOSCO and the Financial Stability Board (FSB) at the international level. To maintain competitive capital markets in Canada, the OSC must align its regulatory framework to be consistent with important global reforms and standards including G20 commitments (OTC derivatives and systemic risk), increasingly complex international enforcement matters, changing oversight responsibilities related to market infrastructure entities and new complex products.

The OSC fee rules are designed to generate a deficit in the first year but breakeven across a three year period. As a result, the OSC expects to operate at a deficit in 2013–2014 and the OSC accumulated surplus is projected to decrease to $1.8 million as at March 31, 2014.

OSC Expenses - Budget Approach

The OSC must continue to improve its capacity to keep up with market developments, innovation and investor concerns. The OSC needs to continue to strengthen its institutional capacity in key areas, including:

- building its derivatives capacity
- expanding the new Office of the Investor
- building capacity and expertise in important areas such as complex products and infrastructure oversight
- expanding its research and data analysis capabilities to support a more data-based approach to issues and policy development

The 2013–2014 OSC Budget is focused on investment in the key strategies identified in the three-year OSC Strategic Plan. Activities of strategic focus were allocated budget increases; however, budgets for the majority of OSC programs were held at last year levels or decreased.

The budget reflects an increase of $6.4 million or 6.6% over 2012–2013 spending and 3.6% above the 2012–2013 budget. Salaries and benefits, which comprise $76.6 million or 74.0% of the budget, reflect an increase of $4.0 million or 5.4% over 2012–2013 spending. This increase mainly reflects costs for:

- the full-year costs for staff hired throughout 2012–2013 to fill existing vacancies
- the new positions approved to achieve the OSC's strategic plan including:

  a) support for the establishment of an enforcement team to focus on criminal activity

  b) to address new market structure issues and oversight responsibilities

  c) to undertake the analytical and research work so the OSC can take a more fact based approach to its operational and policy work

1.1.3 CSA Staff Notice 11-324 – Extension of Comment Period – Proposed Amendments to National Instrument 81-102 Mutual Funds, Companion Policy 81-102CP Mutual Funds and Related Consequential Amendments and Other Matters Concerning National Instrument 81-104 Commodity Pools and Securities Lending, Repurchases and Reverse Repurchases by Investment Funds

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Staff Notice 11-324

Extension of Comment Period
Proposed Amendments to National Instrument 81-102 *Mutual Funds*,
Companion Policy 81-102CP *Mutual Funds* and
Related Consequential Amendments

and

Other Matters Concerning
National Instrument 81-104 *Commodity Pools* and
Securities Lending, Repurchases and Reverse Repurchases by Investment Funds

June 25, 2013

On March 27, 2013, the Canadian Securities Administrators (the CSA or we) published for comment proposed amendments to National Instrument 81-102 *Mutual Funds* (NI 81-102), proposed changes to National Instrument 81-102CP and proposals related to National Instrument 81-104 *Commodity Pools* (NI 81-104) and securities lending, repurchases and reverse repurchases by investment funds, as part of the CSA's implementation of the Modernization of Investment Fund Product Regulation Project (the Modernization Proposals).

The comment period is scheduled to close on June 25, 2013. We have received feedback from a number of affected stakeholders indicating that the Modernization Proposals represent fundamental changes to the regulatory framework for non-redeemable investment funds. Accordingly, they have asked for additional time to formulate a constructive response. In light of this request, the CSA are taking the exceptional step of extending the comment period until August 23, 2013.

As stated in the CSA Notice and Request for Comment dated March 27, 2013 (the Request for Comments), we anticipate finalizing certain aspects of the Modernization Proposals in advance of others. In particular, we indicated that the proposals related to NI 81-104 (the Alternative Funds Proposals), which would involve the redesign of NI 81-104 to create a more comprehensive framework for alternative funds, would be considered in conjunction with certain investment restrictions proposed in NI 81-102 and would come into force at a later date. Therefore, while the comment period is being extended on all aspects of the Modernization Proposals, we specifically invite stakeholders to provide comments on the proposed amendments to NI 81-102 which relate to:

- investment restrictions and parameters (Part 2 of NI 81-102), other than those relating to (i) investments in physical commodities,[1] (ii) borrowing cash,[2] (iii) short selling,[3] and (iv) the use of derivatives,[4] all of which are interrelated with the Alternative Funds Proposals and will require more time to consider and evaluate in conjunction with any related amendments to NI 81-104;
- organizational costs for new non-redeemable investment funds (section 3.3 of NI 81-102);
- conflicts of interest provisions (Part 4 of NI 81-102);
- securityholder and regulatory approval requirements for fundamental changes to non-redeemable investment funds and their management (Part 5 of NI 81-102);

1 As set out in proposed paragraphs 2.3(2)(c) and (d) and proposed subsection 2.3(3) of NI 81-102.
2 As set out in the proposed amendments to paragraphs 2.6(a) and (b) of NI 81-102.
3 As set out in the proposed amendments to paragraph 2.6(c) and section 2.6.1 of NI 81-102.
4 As set out in proposed paragraph 2.3(2)(e) and the proposed amendments to sections 2.7 and 2.8 of NI 81-102.

- custodianship requirements (Part 6 of NI 81-102);
- sales and redemptions of securities of non-redeemable investment funds, including the proposed prohibition on warrant offerings by investment funds (Parts 9 and 10 and proposed Part 9.1 of NI 81-102);
- commingling of cash relating to sales and redemptions of non-redeemable investment fund securities (Part 11 of NI 81-102);
- record date requirements (Part 14 of NI 81-102);
- sales communications parameters (Part 15 of NI 81-102); and
- securityholder record requirements (Part 18 of NI 81-102).

Concurrently with the amendments relating to the above-listed provisions, the CSA also anticipate finalizing the proposals relating to securities lending, repurchases and reverse repurchases by investment funds contained in Annex C to the Request for Comments. We also invite stakeholders to focus on providing comments on these proposals.

The CSA intend to move expeditiously to finalize the Modernization Proposals outlined above.

Questions

Please refer your questions to any of the following people:

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1.1.4 OSC Staff Notice 43-705 – Report on Staff's Review of Technical Reports by Ontario Mining Issuers

OSC Staff Notice 43-705 – *Report on Staff's Review of Technical Reports by Ontario Mining Issuers* is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Staff Notice.

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ONTARIO SECURITIES COMMISSION

OSC Staff Notice 43-705

Report on Staff's Review of Technical Reports by Ontario Mining Issuers

Publication date: June 27, 2013

OSC Staff Notice 43-705
Report on Staff's Review of Technical Reports by Ontario Mining Issuers

1. INTRODUCTION

Staff of the Ontario Securities Commission (**OSC**) conducted a review (the **Review**) of a subset of Form 43-101F1 *Technical Reports* (**Form 43-101F1**) filed by Ontario mining issuers. The purposes of the Review was to assess whether the technical reports filed by Ontario mining issuers (the **Technical Reports**) complied with the recent revisions to National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (**NI 43-101**) and Form 43-101F1 adopted by the Canadian Securities Administrators (**CSA**).

The purpose of this notice is to:

- summarize the results of the Review and
- provide guidance for mining issuers and qualified persons on compliance with Form 43-101F1 in the areas of concern identified during the Review.

Summary of results and future action

We found an unacceptable level of compliance with Form 43-101F1. Forty (80%) of the total number of Technical Reports reviewed had some form of non-compliance with the requirements of Form 43-101F1. Approximately 40% of the Technical Reports reviewed had at least one major non-compliance concern. We view this level of major non-compliance with the disclosure requirements of Form 43-101F1 to be unacceptable. Although significant efforts have been made to comply with the disclosure requirements in NI 43-101, issuers and qualified persons need to further improve their disclosure. We will continue to actively review Technical Reports by Ontario mining issuers as part of our overall continuous disclosure (**CD**) review program.

Issuers should anticipate staff requests for refilings, additional disclosure, or other staff action, where appropriate, if an issuer and qualified person have not fully met the requirements of Form 43-101F1 and NI 43-101. Please note that the issues raised in a review will be taken into consideration when determining whether a prospectus receipt should be issued. Unresolved issues may delay the prospectus receipt, particularly for short form prospectus filings.

1.1 Background

As outlined in CSA Notice *Repeal and Replacement of National Instrument 43-101 Standards of Disclosure for Mineral Projects, Form 43-101F1 Technical Reports, and Companion Policy 43-101CP* dated April 8, 2011, the revised NI 43-101 came into force in all CSA jurisdictions on June 30, 2011.

NI 43-101 became effective on February 1, 2001 with minor revisions made in December 2005. The goal of the June 30, 2011 revisions was to maintain the benefits of NI 43-101, including investor protection, transparent disclosure and promoting market integrity, while making compliance simpler in some areas and less costly for mining issuers. NI 43-101 applies to all disclosure of scientific or technical information made by an issuer, including disclosure of mineral resources and mineral reserves, and requires a technical report be filed on a material mineral property when triggered by NI 43-101. In all cases, public disclosure of scientific or technical information must be prepared by or under the supervision of a qualified person or approved by a qualified person.

While the qualified person is responsible for preparing the Technical Report, the issuer is responsible for retaining a qualified person with the appropriate relevant experience and filing the Technical Report prepared in compliance with Form 43-101F1 and NI 43-101.

As at December 31, 2012, there were 457 Ontario mining issuers with a combined market capitalization of more than $181 billion, representing 21% of Ontario's overall market capitalization. Approximately 41% of Ontario mining issuers are listed on the Toronto Stock Exchange (**TSX**) and represent 98% of the market capitalization of the mining issuers in Ontario.

2. REVIEW RESULTS

2.1 Scope of Review

There were 460 Technical Reports by 238 Ontario mining issuers filed on SEDAR between June 30, 2011 and June 29, 2012. The scope of the Review was limited to a sample of 50 Technical Reports chosen based on certain identifiable characteristics including the main exchange listing of the issuer, the location of the mineral property, the type of mineral deposit and the stage of development of the mineral property. The selection process was aimed at finding a representative sample of issuers in the Ontario public markets for the Review.

The Review focused on compliance with various aspects of NI 43-101, including:

- the revised Form 43-101F1
- the revised definitions of "qualified person" and "professional association"
- changes in the requirement to file a Technical Report and
- the certificate of the qualified person.

2.2 Technical Reports reviewed

We reviewed approximately 10% of the Technical Reports (50 out of 460) filed on SEDAR by Ontario mining issuers. Our sample included 27 Technical Reports by issuers listed on the TSX and 16 listed on

the TSX Venture Exchange (**TSXV**). The remaining seven Technical Reports were by issuers either listed on the Canadian National Stock Exchange or unlisted.

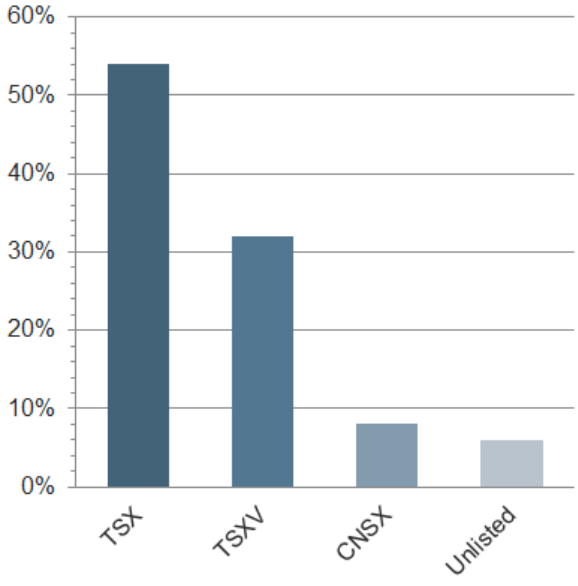
Fifty percent of the issuers had a market capitalization of over $25 million with 25% of these having a market capitalization of greater than $100 million. In terms of stage of development, the majority (59%) of issuers were at the mineral resource stage, 26% at the development or production stage and 15% at the exploration stage.

Most of the mineral properties described in the Technical Reports were located in North America (44%) while others were located in either South America (22%), Africa (20%), Russia or China (8%) or Australia (6%). The three primary mineral commodities discussed in the Technical Reports were gold (46%), copper (12%) or iron (10%).

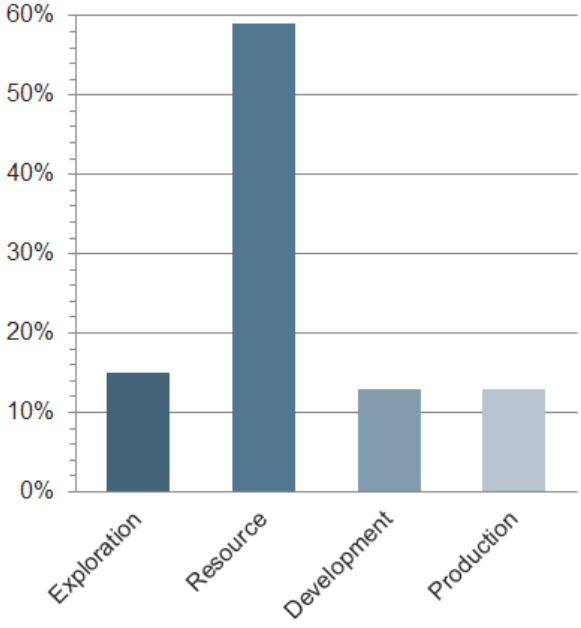
The majority of the Technical Reports were authored by qualified persons from independent consulting firms with 54% from regional firms and 20% from global firms. Independent sole proprietor qualified persons authored 14% of the Technical Reports while 12% were prepared by in-house qualified persons.

A summary of the characteristics of the Ontario mining issuers, their stage of development and the location and main type of commodity based on the 50 Technical Reports reviewed is set out below:

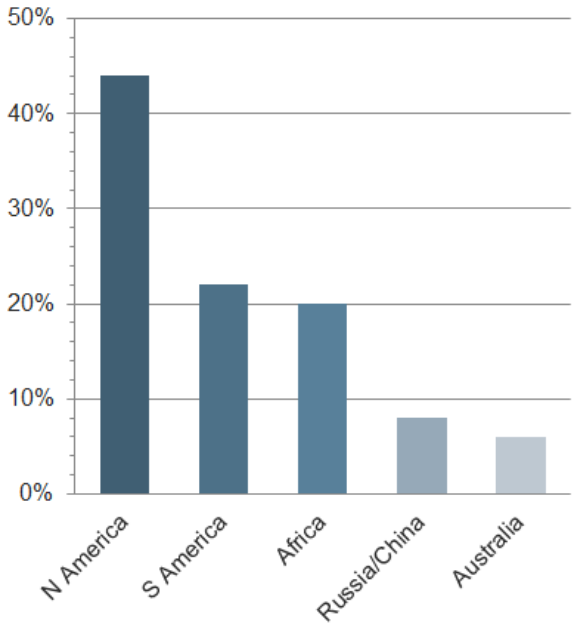
Issuer's main stock exchange listing



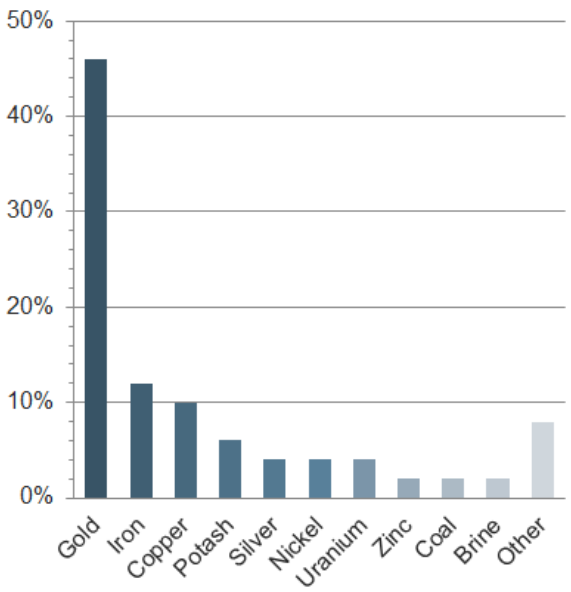
Issuer's stage of development



Location of the mineral property



Primary mineral commodity



In most cases (58%), the Technical Reports were filed pursuant to subparagraph 4.2(1)(j)(i) of NI 43-101, the first time disclosure trigger, which is informally know as a "property success" trigger. This trigger relates to the first time disclosure of mineral resources, mineral reserves or the results of a preliminary economic assessment (**PEA**), on a property material to an issuer that constitutes:

- a material change in relation to the issuer or
- a change in mineral resources, mineral reserves or the results of a PEA from the most recently filed Technical Report if the change constitutes a material change in relation to the issuer.

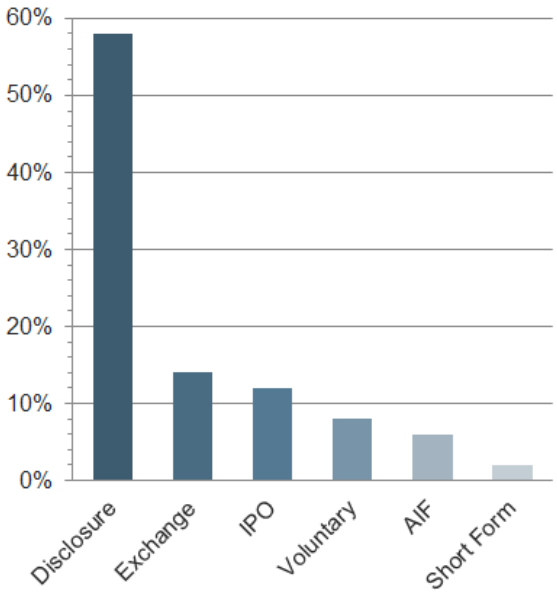
Technical Reports were also triggered due to situations informally known as an "issuer event" trigger. These Technical Reports were filed:

- in connection with the issuer's initial public offering (12%) pursuant to paragraph 4.2(1)(a) of NI 43-101
- where the issuer's annual information form included scientific or technical information that related to a mineral project on a property material to the issuer (6%) pursuant to paragraph 4.2(1)(f) of NI 43-101 or
- with the filing of a short form preliminary prospectus (2%) (where the prospectus disclosed for the first time mineral resources, mineral reserves or the results of a PEA that constituted a material change in relation to the issuer or a change in this information, if the change results in a material change in relation to the issuer pursuant to subparagraph 4.2(1)(b) of NI 43-101.

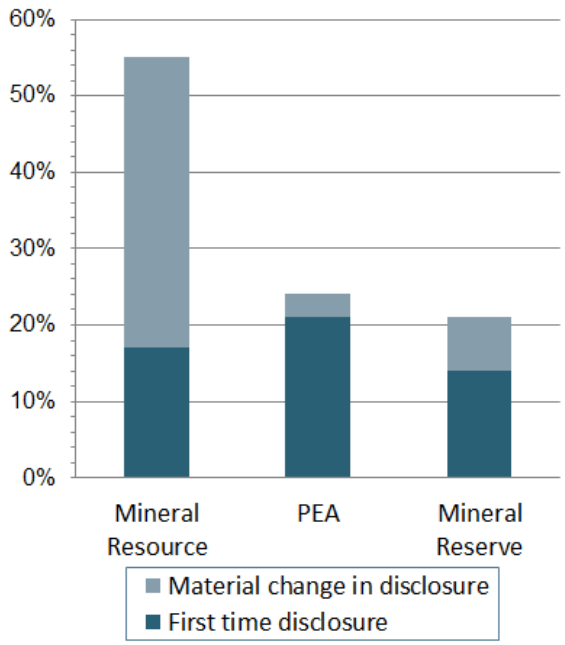
Issuers also filed a Technical Report in connection with Policy 4.6 *Public Offerings by Short From Offering Document* and Exchange Form 4H – *Short Form Offering Document* of the TSXV (14%) pursuant to paragraph 4.2(1)(h) of NI 43-101. Other issuers voluntary filed a Technical Report (8%).

A summary of the triggering event for the 50 Technical Reports we reviewed is set out below:

Technical report triggers



Technical report triggers related to disclosure of mineral resources, PEA or mineral reserves



We reviewed each of the 50 Technical Reports to determine whether each Technical Report complied with the requirements in Form 43-101F1 and NI 43-101. We remind issuers and qualified persons that staff does not review all Technical Reports filed on SEDAR and cannot approve or certify compliance of any Technical Report.

2.3 Summary of Review and comments

Approximately 40% of the Technical Reports reviewed had at least one major non-compliance concern. We view this level of non-compliance with the disclosure requirements of Form 43-101F1 to be unacceptable. Although significant efforts have been made to comply with the requirements of Form 43-101F1, issuers and qualified persons need to further improve their disclosure.

2.4 Guidance

This notice sets out guidance to mining issuers and qualified persons on the existing requirements in NI 43-101 and Form 43-101F1. It is intended to clarify existing disclosure requirements relating to Technical Reports and does not create any new legal requirements or modify existing ones. It is also intended to alert mining issuers and qualified persons by identifying common deficiencies to assist in determining what information in Technical Reports needs to be disclosed, enhanced or supplemented to comply with Form 43-101F1. Issuers and qualified persons should consider this guidance when preparing their Technical Reports.

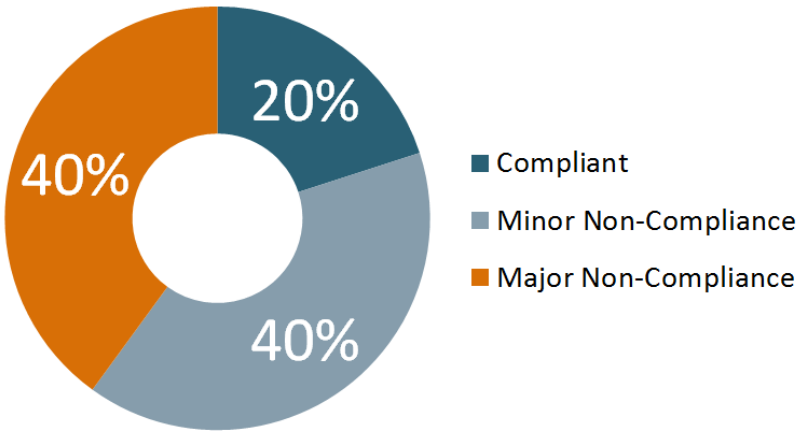
2.5 Summary of results

We found an unacceptable level of compliance with Form 43-101F1. Forty (80%) of the total number of Technical Reports reviewed had some form of non-compliance with the requirements of Form 43-101F1. Twenty (40%) of the Technical Reports reviewed had major non-compliance concerns.

We are particularly concerned with the major non-compliance issues noted in the Technical Reports reviewed as these deficiencies may have a significant impact on investors. Technical Reports are a key disclosure document for mining issuers and investors and their advisors may place significant reliance and make investment decisions based on the disclosure in Technical Reports.

A summary of our overall Review findings for the 50 Technical Reports is set out below:

Overall Technical Report compliance



The results of the Review identified frequent disclosure deficiencies, some of which may significantly impact investors.

The significant deficiencies include the following sections of the Technical Report:

- mineral resource estimates
- environmental studies, permitting and social or community impact
- capital and operating costs
- economic analysis
- interpretation and conclusions.

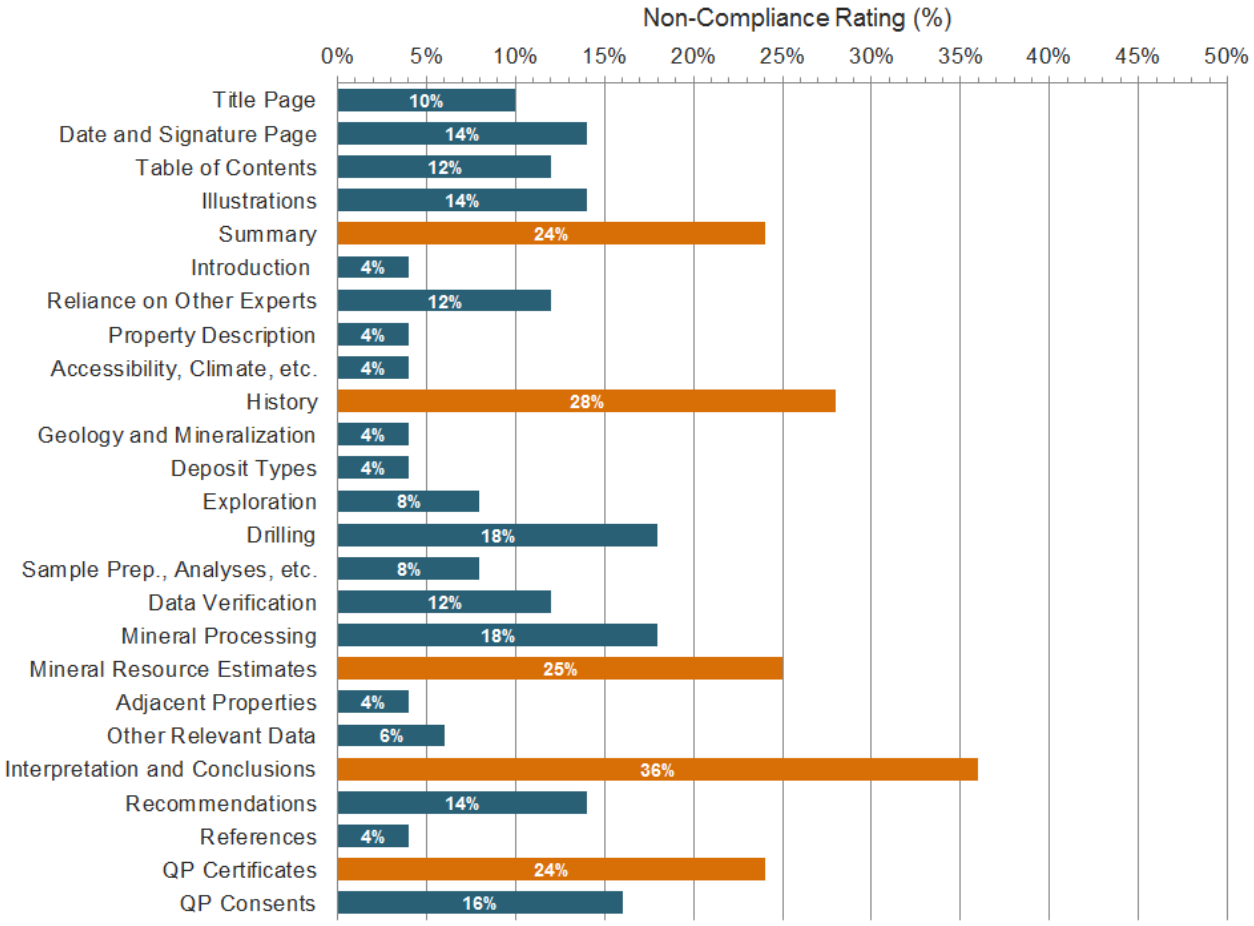
Other sections of the Technical Report where we noted frequent disclosure deficiencies include:

- summary
- history
- certificate of the qualified person.

Guidance on the disclosure requirements relating to the areas of significant deficiencies and other deficiencies noted in the Technical Reports is set out in Part 3 and Part 4 of this notice, respectively.

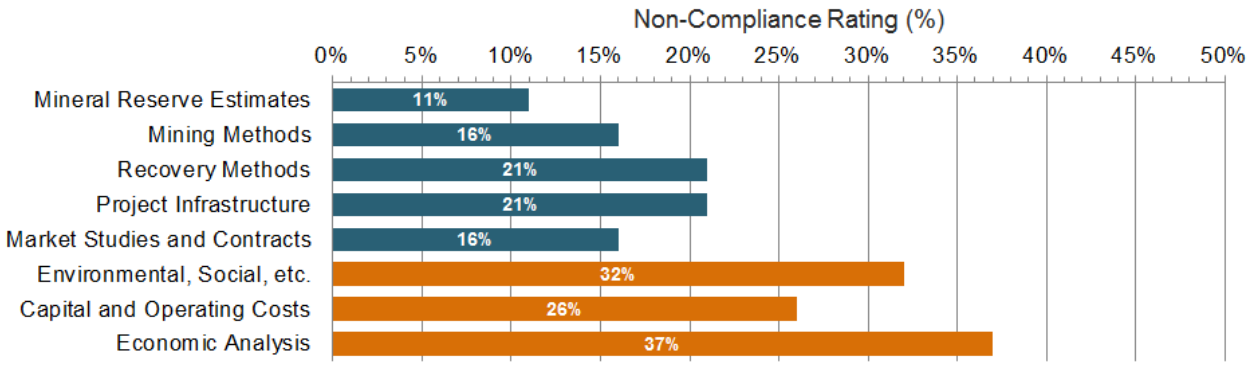
A summary of our Review findings for the 50 Technical Reports broken down by the content and item requirements of Form 43-101F1 is set out below:

Non-compliance rating for each section of the Technical Report



Out of the 50 Technical Reports reviewed, 19 were in relation to advanced properties. A summary of our Review findings for the additional requirements of Form 43-101F1 for an advanced property is set out below:

Non-compliance rating for each additional section for an "advanced property" Technical Report



Legend:

Blue bars – Technical Report sections with good to moderate compliance

Orange bars – Technical Report sections with poor compliance

3. GUIDANCE FOR MINING ISSUERS IN SIGNIFICANT AREAS OF CONCERN

To further assist mining issuers and qualified persons in complying with the disclosure requirements in Form 43-101F1, we have set out guidance for the Technical Report sections where we noted significant areas on concern in our Review.

A. Mineral resource estimate

Disclosure requirement

Assumptions regarding "reasonable prospects for economic extraction" must be disclosed under subsection 3.4(c) of the NI 43-101.

Item 14 of Form 43-101F1 requires a Technical Report disclosing mineral resources to provide, among other things, sufficient discussion of the key assumptions, parameters and methods used to estimate the mineral resources for a reasonably informed reader to understand the basis for the estimate and how it was generated.

Findings of Review

Our Review found that 25% of the Technical Reports disclosing mineral resource estimates did not provide the required information. In some cases the Technical Reports did not include disclosure as to

how “reasonable prospects for economic extraction” were established or what cut-off grade was used to estimate the mineral resource. We also found that many Technical Reports did not clearly disclose the assumed metal price or factors related to the mining scenario or mineral processing recovery. We have also noted that, where a mineral reserve is disclosed, the required statement whether the reserve is included in or excluded from the mineral resource may be absent or not prominent.

Commentary

Qualified persons are reminded that mineral resources, by definition, must have reasonable prospects for economic extraction based on justifiable technical and economic factors. These factors are typically reflected in the cut-off grade and metal price assumptions and other constraints such as the geological model, conceptual pit shell or mine model. The Canadian Institute of Mining, Metallurgy and Petroleum’s Best Practice Guidelines for Estimation of Mineral Resources and Mineral Reserves provide guidance on the constraints that should be considered in resource estimation and disclosed as part of a statement of mineral resources. We expect qualified persons to use procedures and methodologies that are consistent with industry best practices.

If an issuer discloses in writing mineral resources on a property material to the issuer, the issuer must include in the written disclosure, amongst other things, the key assumptions, parameters and methods used by the qualified person to estimate the mineral resources.

Qualified persons and issuers are reminded to provide the key assumptions, parameters and methods to support the basis for estimating the mineral resource as required under subsection 3.4(c) of NI 43-101.

B. Environmental studies, permitting and social or community impact

Disclosure requirement

Item 20 of Form 43-101F1 requires that a Technical Report for an “advanced property” discuss reasonably available information on environmental permits and social or community factors related to the mineral project. Specifically, with regards to social or community impact, Item 20 requires a discussion of any potential social or community related requirements and plans for the project and the status of any negotiations or agreements with local communities. It also requires the qualified person to include a discussion of mine closure (remediation and reclamation) requirements and costs.

Findings of Review

Our Review found that 32% of the Technical Reports on advanced properties did not adequately disclose information related to environmental permits or the social or community impacts of developing the mineral

project. We also found that some Technical Reports did not disclose how surface rights issues would be addressed or whether there was an exploration agreement in place or under negotiation with local First Nation communities.

Commentary

In some recent cases, the inability to advance projects has been related to surface and community issues rather than geological or technical issues.

Issuers are reminded that National Instrument 41-101 *General Prospectus Requirements* requires issuers to file material contracts that are entered in the ordinary course of business. A material contract is a contract to which a reporting issuer or any of its subsidiaries is a party that is material to the reporting issuer and generally includes a schedule, side letter or exhibit referred to in the material contract as well as any amendment to the material contract. When negotiating material contracts and agreements with local First Nation communities, issuers should consider this filing requirement, including with respect to any confidentiality obligations in such contracts.

Qualified persons are reminded to include a discussion of any potential social or community related requirements and plans for the project and the status of any negotiations or agreements with local communities and a discussion of mine closure (remediation and reclamation) requirements and costs in Technical Reports on an “advanced property”.

C. Capital and operating costs

Disclosure requirement

Item 21 of Form 43-101F1 requires the Technical Report for an “advanced property” to include a summary of capital and operating cost estimates, with the major components set out in tabular form. The summary must explain and justify the basis for the cost estimates.

Findings of Review

We found that 26% of the Technical Reports on advanced properties did not adequately disclose information required by Item 21 of Form 43-101F1. In some cases, the main components of the capital cost estimate were not provided. In other cases, the Technical Report did not provide justification for how the operating cost estimate was determined or why certain costs were assumed.

Commentary

It is important for qualified persons to include disclosure of the main components of the estimated capital and operating costs and the basis for these costs.

Cost estimates should not be a single bottom-line number. Qualified persons are reminded to provide more context and justification for capital and operating cost estimates included in Technical Reports for an "advanced property".

D. Economic analysis

Disclosure requirement

Item 22 of Form 43-101F1 requires that the Technical Report for an "advanced property" provide an economic analysis for the mineral project. The economic analysis must include a clear statement of and justification for the principal assumptions and cash flow forecasts on an annual basis using mineral reserves or mineral resources and an annual production schedule for the life of the project. It must also include a discussion of net present value, internal rate of return and payback period of capital with imputed or actual interest. Specifically, Item 22(d) of Form 43-101F1 requires that the economic analysis include a summary of the taxes, royalties and other governmental levies or interests applicable to the mineral project or to production and to revenue or income from the mineral project. Finally, Item 22(e) of Form 43-101F1 requires that the economic analysis include sensitivity or other analysis using variants in commodity price, grade, capital and operating costs or other significant parameters as appropriate, and a discussion of the impact of the results.

Findings of Review

We found that 37% of the Technical Reports on advanced properties did not sufficiently disclose the economic analysis information required by Item 22 of Form 43-101F1. We found that some Technical Reports did not provide cash flows on an annual basis or provide an appropriate sensitivity analysis with related impacts on the economic analysis. We also found that 40% of the Technical Reports on mineral projects at a PEA-stage did not adequately address the issue of taxes applicable to the mineral project.

Commentary

Reporting of only pre-tax cash flows in a Technical Report for an advanced property which includes results of a PEA, pre-feasibility or feasibility study does not meet the disclosure requirement Item 22(d) of Form 43-101F1 or provide sufficient information for investors to properly assess the mineral project. Additionally, our Review noted some instances of very limited ranges of sensitivities or only up-side

sensitivities which may not reflect the true nature of the project risk as required by Item 22(e) of Form 43-101F1.

It is potentially misleading for a Technical Report on an "advanced property" to disclose only pre-tax cash flows and economic outcomes or to disclose only positive metal price changes or only up-side sensitivity analysis.

E. Interpretation and conclusions

Disclosure requirement

Item 25 of Form 43-101F1 requires the Technical Report to summarize the relevant results and interpretations of the information and analysis being reported on. Specifically, it includes a new requirement to discuss any significant risks and uncertainties and any related reasonably foreseeable impacts of these risks and uncertainties. The interpretation and conclusions section is required to include a discussion on any significant risks and uncertainties that could reasonably be expected to affect the reliability or confidence in the exploration information, mineral resource or mineral reserve estimates or projected economic outcomes. The Technical Report should also include a discussion of any reasonably foreseeable impacts of these risks and uncertainties to the project's potential economic viability or continued viability. A Technical Report concerning exploration information must include the conclusions of the qualified person.

Findings of Review

Our Review revealed that 36% of Technical Reports reviewed did not disclose project specific risks and uncertainties such as the availability of water rights, use of a novel mineral processing technology or the potential impact of a civil war in the region.

Commentary

Item 25 of Form 43-101 requires the qualified person to include in the Technical Report a clear overview of the main risks, uncertainties and potential impacts of these risks and uncertainties on the mineral project and its potential future development. Some Technical Reports reviewed contained a concise summary table which clearly provided this information.

Qualified persons should consider including in the Technical Report a table showing the significant project specific risks, potential outcomes and mitigating factors along with supplementary discussions. Possible opportunities may also be included, if reasonable.

4. GUIDANCE FOR MINING ISSUERS IN OTHER AREAS OF CONCERN

To further assist mining issuers and qualified persons in complying with the disclosure requirements in Form 43-101F1, we have set out guidance for the Technical Report sections where we noted other areas of concern in our Review.

A. Summary

Disclosure requirement

Item 1 of Form 43-101F1 requires a brief summary of important information in the Technical Report, including property description, ownership, geology and mineralization, the status of exploration, development and operations, mineral resource and mineral reserve estimates and the qualified person's conclusions and recommendations.

Findings of Review

Our Review found that 24% of the Technical Reports did not provide a summary that met the requirements in Form 43-101F1 and did not provide a useful overview of the important information and key findings about the mineral project in particular. Some Technical Reports with mineral resource estimates or PEA outcomes did not include this information in the summary. Where other report items were deficient, the deficiencies often also appeared in the summary.

Commentary

The summary is a key part of the Technical Report and needs to include important information relative to the stage of development of the mineral property. If a mineral resource has been estimated or a PEA has been disclosed the actual numbers and key findings need to be included in the summary. A qualified person may refer to section 5.4 of Form 51-102F2 *Annual Information Form* as a possible template for what to include in the summary of a Technical Report.

A qualified person is reminded to briefly summarize important information and "key findings" about the property including:

- property description and ownership
- data verification and site visits
- mineral resource and mineral reserve estimates (if applicable)
- mining studies and economic analysis (if applicable)
- qualified person's conclusions and recommendations.

B. History

Disclosure requirement

Item 6 of Form 43-101F1 requires a description of:

- the prior ownership of the property and ownership changes
- the type, amount, quantity and general results of exploration and development work undertaken by any previous owners or operators
- any significant historical estimates in accordance with the requirements and cautionary language in section 2.4 of NI 43-101 and
- any production from the property.

If the Technical Report includes work that was conducted outside the issuer's current property boundaries, the disclosure should distinguish this work from the work conducted on the property that is the subject of the Technical Report.

Findings of Review

We observed that 28% of the Technical Reports reviewed did not include the cautionary statements required by section 2.4 of NI 43-101 when a historical estimate was disclosed.

Commentary

Simply stating that the historical estimate is not compliant with NI 43-101 does not satisfy the requirements of NI 43-101. Subsection 2.4(g) of the NI 43-101 requires that each time a historical estimate is disclosed, either in the Technical Report or in the issuer's other disclosure, the cautionary language must be stated with equal prominence that:

- a qualified person has not done sufficient work to classify the historical estimate as a current resource estimate and
- the issuer is not treating the historical estimate as a current resource estimate.

Qualified persons and issuers are reminded to include the required cautionary language as set out in section 2.4 of NI 43-101 every time a historical estimate is disclosed.

C. Qualified person certificate

Disclosure requirements

Subsection 8.1(1) of NI 43-101 requires an issuer, when filing a Technical Report, to file a certificate that is dated, signed, and if the signatory has a seal, sealed, for each qualified person responsible for preparing or supervising the preparation of all or part of the Technical Report.

Additionally, paragraph 8.1(2) of NI 43-101 provides a list of the specific information and statements required to be included in the qualified person(s) certificate including, but not limited to, the qualified person's qualifications, brief summary of their relevant experience and the item(s) of the Technical Report for which the qualified person is responsible.

Findings of Review

We found that 24% of the qualified person(s) certificates were deficient. In some instances, the certificate was not dated or signed. In other cases, the qualified person(s) did not include which items of the Technical Report they were responsible for or a summary of their relevant experience related to the commodity, type of mineral deposit and situation under consideration that they were responsible for in the Technical Report.

Commentary

It is important to ensure that each section of the Technical Report has a qualified person with the appropriate relevant experience taking responsibility for the information provided.

Qualified persons are reminded to include all the required statements as per subsection 8.1(2) of NI 43-101. The qualified person's certificate is one of the first things checked by the regulators when reviewing a Technical Report.

5. GOVERNANCE STRUCTURES AROUND FORM 43-101F1 AND NI 43-101

The qualified person is responsible for preparing or supervising the preparation of the Technical Report and providing scientific and technical advice in accordance with applicable professional standards pursuant to section 2.1 of NI 43-101. Section 2.1 of the Companion Policy to NI 43-101 provides that primary responsibility for the disclosure in an issuer's Technical Report, and the proper use of the scientific and technical information provided by the qualified person, is the responsibility of the issuer and its directors and officers.

The onus is on the issuer and its directors and officers and, in the case of a document filed with a securities regulatory authority, each signatory to the document, to ensure that disclosure in the document is consistent with the related Technical Report or advice. An issuer should consider having the qualified person review disclosure that summarizes or restates the Technical Report or the technical advice or opinion to ensure that the disclosure is accurate.

In our view, while there is no statutory requirement that directors review the issuer's Technical Reports in full, each issuer should determine how it can meet our expectations with regards to the disclosure responsibility set out in section 2.1 of the Companion Policy to NI 43-101. In fulfilling their oversight function relating to the Technical Report, a board of directors should consider the composition and technical skill set of the board of directors, its various committees and the management team in order to ensure that it can meet the issuer's responsibilities for mining-related disclosure.

6. CONCLUSIONS AND QUESTIONS

Mining issuers and qualified persons should consider NI 43-101, Form 43-101F1 and the guidance in this notice when preparing their Technical Reports to ensure that each Technical Report complies with securities legislation and provides investors with meaningful information for making investment decisions. It is important for investors to have accurate and meaningful information about a mineral property material to the issuer.

We will continue the review of Technical Reports of Ontario mining issuers as part of our overall CD program. Issuers should anticipate staff requests for re-filings or other staff action, where appropriate, if an issuer has not fully met the requirements of Form 43-101F1 and NI 43-101. Please note that the issues raised in a review will be taken into consideration when determining whether a prospectus receipt should be issued. Unresolved issues may delay the prospectus receipt, particularly for short form prospectus filings.

Please refer your questions to any of the following people:

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Melanie Crouch, Legal Counsel, Corporate Finance Branch
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Date: June 27, 2013

1.1.5 Notice of Amendments to the Commodity Futures Act and the Securities Act

NOTICE OF AMENDMENTS TO THE COMMODITY FUTURES ACT AND THE SECURITIES ACT

On June 13, 2013, the Government's Bill 65 *Prosperous and Fair Ontario Act (Budget Measures), 2013* received Royal Assent. Amendments to the *Commodity Futures Act* and the *Securities Act* were included in Bill 65.

An explanation of these amendments is provided in Chapter 9.

Questions may be referred to:

Michael Balter
Senior Legal Counsel
(416) 593-3739
mbalter@osc.gov.on.ca

1.2 Notices of Hearing

1.2.1 Heritage Management Group and Anna Hrynisak – ss. 37 and 127

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

AND

IN THE MATTER OF
HERITAGE MANAGEMENT GROUP and ANNA HRYNISAK

AND

IN THE MATTER OF
A SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE ONTARIO SECURITIES COMMISSION
and HERITAGE MANAGEMENT GROUP and ANNA HRYNISAK

NOTICE OF HEARING
(Sections 37 and 127 of the Securities Act)

TAKE NOTICE THAT the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to sections 37 and 127 of the *Securities Act,* R.S.O. 1990, c. S.5, as amended (the "Act") at the offices of the Commission at 20 Queen Street West, 17th Floor Hearing Room on June 24, 2013 at 9:30 a.m. or as soon thereafter as the hearing can be held;

AND TAKE NOTICE that the purpose of the hearing is for the Commission to consider whether it is in the public interest to approve a settlement agreement between Staff of the Commission and Heritage Management Group and Anna Hrynisak;

BY REASON OF the allegations set out in the Statement of Allegations of Staff of the Commission dated March 27, 2013 and such further 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 19th day of June, 2013

“John Stevenson”
Secretary to the Commission

1.2.2 Ernst & Young LLP (Audits of Zungui Haixi Corporation) – 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
ERNST & YOUNG LLP
(AUDITS OF ZUNGUI HAIXI CORPORATION)

NOTICE OF HEARING
(Sections 127 and 127.1)

TAKE NOTICE that the Commission will hold a hearing pursuant to sections 127 and 127.1 of the *Securities Act,* R.S.O. 1990, c. S-5 as amended (the "Securities Act") at the offices of the Commission located at 20 Queen Street West, 17th Floor, on July 15, 2013 at 2:30 p.m. or as soon thereafter as the hearing can be held;

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

(a) the Respondent be reprimanded pursuant to clause 6 of subsection 127(1) of the Act;

(b) the Respondent pay an administrative penalty of not more than $1 million for each failure to comply with Ontario securities law pursuant to clause 9 of subsection 127(1) of the Act;

(c) the Respondent disgorge to the Commission any amounts obtained as a result of non-compliance with Ontario securities law pursuant to clause 10 of subsection 127(1) of the Act;

(d) the Respondent pay the costs of the Commission's investigation and the costs of or related to any hearing before the Commission pursuant to section 127.1 of the Act; and

(e) to make such other orders as the Commission may deem appropriate.

BY REASON OF the allegations set out in the Statement of Allegations dated June 24, 2013, and such additional allegations as counsel may advise and the Commission may permit;

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

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

DATED at Toronto this 24th day of June, 2013.

"Josée Turcotte" per

John Stevenson
Secretary to the Commission

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

AND

IN THE MATTER OF
ERNST & YOUNG LLP
(AUDITS OF ZUNGUI HAIXI CORPORATION)

STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated June 24, 2013, Staff of the Ontario Securities Commission ("Staff") make the following allegations:

Overview

1. On December 21, 2009, the Zungui Haixi Corporation (together with its predecessor entities, "Zungui") completed an initial public offering, ultimately raising $39.8 million in total gross proceeds from investors (the "IPO"). Its shares were listed for trading on the TSX Venture Exchange.

2. In preparation for the IPO, Ernst & Young LLP ("E&Y") audited Zungui's consolidated financial statements (the "IPO Audit") and issued an auditors' report stating that it had performed the audit in accordance with Canadian generally accepted auditing standards ("GAAS").

3. E&Y, however, had failed to conduct the IPO Audit in accordance with GAAS, relying on certain audit results that raised more questions than they answered.

4. Specifically, during the course of the audit, E&Y had:

   (a) identified a risk that Zungui could use fictitious distributors to fraudulently inflate its revenue – but then disregarded evidence suggesting that the company had grossly exaggerated its sales to purported distributors;

   (b) noted that Zungui's management had an incentive to manipulate the company's financial results to attract investors for the IPO – but then failed to treat multiple red flags about the company's revenue and earnings with appropriate skepticism; and

   (c) failed to conduct a sufficient review of the audit evidence, leaving the review of key evidence in the hands of a staff member with limited experience.

5. E&Y also conducted an audit of Zungui's financial statements for its 2010 fiscal year (the "2010 Audit") and issued an auditors' report stating that it had performed the audit in accordance with GAAS. E&Y, however, had also failed to conduct the 2010 Audit in accordance with GAAS, as it contained several of the same deficiencies as the IPO Audit.

6. E&Y's failures to comply with GAAS in conducting the IPO Audit and 2010 Audit constituted breaches of section 78 of the Securities Act, R.S.O. 1990, c. S.5, as amended (the "Securities Act") and National Instruments 41-101 and 52-107. Furthermore, in certain documents that were filed with the Ontario Securities Commission (the "Commission"), E&Y stated that it had conducted the IPO Audit and 2010 Audit in accordance with GAAS. Each of these statements constituted a breach of section 122 of the *Securities Act*.

Background

Zungui

7. In August 2008, Zungui was a privately-owned entity that was managed and controlled by three brothers. It was engaged in the manufacture of athletic footwear, apparel, accessories and casual footwear, and it purported to sell these products to 47 independently-owned distributors located throughout the People's Republic of China ("China").

8. During 2008, Zungui explored the possibility of listing its shares on a public exchange, and on August 22, 2008, it engaged E&Y to audit the company's financial statements in preparation for a public offering in Canada. This engagement became the IPO Audit, encompassing the financial statements of Zungui for the years ended December 31, 2006, December 31, 2007, December 31, 2008 and for the six-month period ended June 30, 2009.

E&Y

9. E&Y is a firm of chartered accountants with a head office located in Toronto, Ontario. It has offices located across Canada, and it is a member firm of Ernst & Young Global Limited, a global accounting organization.

10. To conduct the IPO Audit, E&Y assembled a team overseen by a partner in the firm's China Market Group (the "Partner"). However, as set forth below, the Partner did not review any of the underlying evidence gathered during the audit, instead limiting her review to summary documents. Two independent partners also performed work on the audit, but they also limited their review to summary documents.

11. E&Y's original Senior Manager for the IPO Audit did not understand Chinese and had no experience with audits of China-based companies. After beginning work on the file, she informed the Partner that she was "clearly not the right person to review the fieldwork in detail as much of the documentation in the working papers is in Chinese" and that she "d[id] not think we'd be meeting our quality standards if you are requiring me to do a detailed review".

12. Shortly thereafter, the original Senior Manager was removed from the file and another Senior Manager was appointed. However, the new Senior Manager also did not understand Chinese and also had no auditing experience with China-based companies.

13. E&Y's Manager for the IPO Audit was a new employee who had recently joined the firm from a South African auditor. He had never conducted an audit of a China-based company, had never conducted an audit governed by GAAS and had never conducted an audit with E&Y. However, despite this limited experience, the Manager was given significant responsibility for overseeing and reviewing key audit work.

IPO Audit

14. At the initial stages of the IPO Audit, E&Y identified fraud risks and designed specific procedures to address them, including a procedure to assess whether Zungui was using fictitious distributors and suppliers to inflate its revenue. This procedure involved the engagement of a Hong Kong business intelligence company to conduct research on certain of Zungui's distributors and suppliers.

15. As set out in detail below, the Hong Kong company issued reports raising serious issues about Zungui's dealings with its purported distributors and suppliers, but E&Y failed to address them. In spite of these issues, E&Y completed the IPO Audit and issued an auditors' report stating that it had conducted the IPO Audit in accordance with GAAS (the "IPO Auditors' Report").

2010 Audit

16 In February 2010, Zungui engaged E&Y to perform the 2010 Audit, encompassing Zungui's financial statements for the year ended June 30, 2010. E&Y identified a fraud risk associated with fictitious distributors and suppliers for this audit as well, but relied on its prior analysis of the Hong Kong reports from the IPO Audit to address the risk. Despite the issues raised by the Hong Kong reports, E&Y completed the 2010 Audit and issued an auditors' report stating that it had conducted the 2010 Audit in accordance with GAAS (the "2010 Auditors' Report").

2011 Audit

17. In June 2011, Zungui engaged E&Y for an audit of its financial statements for the year ended June 30, 2011 (the "2011 Audit").

18. In conducting the 2011 Audit, E&Y again identified a fraud risk involving fictitious distributors and suppliers. To address the risk, E&Y obtained new reports from the same Hong Kong business intelligence company for certain Zungui distributors and suppliers. These reports again raised serious issues about Zungui's dealings with its purported distributors and suppliers.

19. During the 2011 Audit, however, E&Y responded to the issues raised by the Hong Kong reports by performing alternative procedures, including an examination of various payments that Zungui had purportedly received from distributors. As a result of these procedures, E&Y obtained additional evidence that raised serious issues about the authenticity of Zungui's transactions with its distributors. Shortly thereafter, E&Y suspended the 2011 Audit, noting that further audit work would not be useful until its concerns were addressed by Zungui.

Collapse of Zungui

20. On August 22, 2011, Zungui's Board of Directors issued a press release announcing that E&Y had suspended the 2011 Audit. After the press release was issued, the market price of Zungui shares dropped by over 75% in a single day of trading.

21. On August 28, 2011, Zungui's Board of Directors appointed a committee of independent directors to investigate the issues raised by E&Y, but could not obtain sufficient funds from the company's Chinese operating subsidiary to conduct its investigation. As a result, all four of Zungui's independent directors and its Chief Financial Officer resigned, leaving the company with no directors or officers residing in Canada.

22. On September 23, 2011, E&Y resigned as the auditor of Zungui. In its resignation letter, E&Y requested that Zungui take all necessary steps to prevent future reliance on the IPO Auditors' Report or the 2010 Auditors' Report.

23. Zungui was required to file its audited financial statements for its 2011 fiscal year with the Commission by October 28, 2011, but failed to do so, and has failed to make any filings with the Commission since that date.

Related Commission Proceedings

24. On November 7, 2011, Staff issued a Statement of Allegations naming Zungui and its remaining directors in relation to the company's failure to file audited annual financial statements, among other things.

25. The Commission held a hearing on February 2, 2012 and found Zungui liable for multiple violations of Ontario securities law, including a failure to file audited annual financial statements. It also found the remaining directors liable for multiple violations, including authorizing, permitting or acquiescing in Zungui's violations.

26. Following a sanctions hearing, the Commission issued a decision on August 28, 2012 ordering, among other things, that all Zungui securities be permanently cease-traded.

E&Y's Failures to Comply with GAAS

27. As the auditor of Zungui's financial statements, E&Y was required by section 78 of the Securities Act and by National Instruments 41-101 and 52-107 to conduct its audits in accordance with GAAS. To comply with GAAS, E&Y was required to obtain reasonable assurance that Zungui's financial statements were free from material misstatement.

28. However, as set forth below, E&Y failed to obtain reasonable assurance during the IPO Audit because it (a) failed to obtain sufficient appropriate audit evidence, (b) failed to exercise a sufficient level of professional skepticism, and (c) failed to conduct a sufficient review of the audit evidence.

A. Failure to Obtain Sufficient Appropriate Audit Evidence

29. GAAS requires an auditor to identify and assess the potential risks of a material misstatement in financial statements due to fraud, and to gather sufficient appropriate evidence to address these risks. In the IPO Audit, E&Y identified risks that Zungui had an incentive to present attractive financial results for the IPO and that the company could inflate its revenue by using fictitious distributors and suppliers.

30. The risk of fictitious distributors and suppliers was a serious fraud risk, as it could affect a substantial part of Zungui's revenue and expenses. To address this risk, E&Y decided to use two specific audit procedures: (i) it would engage Central Business Information Limited ("CBI"), the Hong Kong business intelligence company, to conduct research on Zungui's key distributors and suppliers, and (ii) it would independently confirm Zungui's accounts receivable and accounts payable transaction balances with selected distributors and suppliers.

(i) CBI Reports for Distributors and Suppliers

31. Pursuant to E&Y's direction, CBI conducted research on Zungui's ten largest distributors and three largest original equipment manufacturer ("OEM") suppliers. CBI then provided reports to E&Y regarding the distributors and suppliers that raised a number of significant issues, including the following:

- CBI obtained information indicating that two of Zungui's purported distributors had been established in 2007, but Zungui had reported significant sales to these distributors prior to 2007.

- CBI was unable to contact Zungui's purported fourth-largest distributor through contact information provided by Zungui, or through directory inquiries, internet searches or telephone calls to entities supposedly associated with the distributor.

- CBI obtained financial information about five of Zungui's purported distributors, and in each instance the entire amount of inventory purchased by the distributor was significantly lower than the amount of inventory Zungui had supposedly sold to them.

- CBI obtained information about the production capacity of two OEM suppliers, and in both cases the entire annualized production capacity of the OEM supplier appeared lower than the annualized production quantity that Zungui had purportedly outsourced to them.

- CBI obtained information about the brand names of products distributed by nine of Zungui's purported distributors, and eight of them did not make any reference to the distribution of Zungui's brand.

32. All of the issues raised by the CBI reports called Zungui's dealings with its purported distributors and suppliers into question, and should have prompted E&Y to perform detailed procedures in response. Moreover, the number and pervasiveness of the issues raised by the reports should have also prompted E&Y to reevaluate all of the audit evidence relating to distributors and suppliers and to design new procedures to assess the legitimacy of these entities. Instead, E&Y performed limited additional work and concluded that the CBI reports had established the existence of the researched distributors and suppliers.

(ii) Accounts Receivable and Accounts Payable Confirmations

33. In addition to the CBI reports, E&Y also used a confirmation procedure to address the risk of fictitious distributors and suppliers. To carry out this procedure, E&Y obtained addresses for selected distributors and suppliers from Zungui. E&Y then sent letters (commonly referred to as "confirmations") from Zungui's premises to the addresses provided in order to confirm the distributors' and suppliers' transactions with Zungui.

34. However, multiple confirmations were sent to unverified addresses, incomplete addresses and unspecific addressees – *and yet E&Y still received a "perfect" response in an unusually short timeframe.*

35. Specifically, of the 81 accounts receivable ("AR") confirmations sent during the IPO Audit:

- 13 were sent to addresses which CBI had been unable to verify;

- 3 were sent to incomplete addresses; and

- 58 were sent to addresses without a named contact person or department.

36. Despite these issues, the AR confirmations yielded an unusually positive response, as all 81 confirmations were returned, confirming the exact transaction balances, with no reconciling items noted. Moreover, nearly all of the confirmations were signed within seven days of their mailing.

37. These issues should have prompted E&Y to consider the quality of the audit evidence obtained from the AR confirmations and reconsider whether this procedure could be relied upon to address the risk of fictitious distributors.

38. Moreover, since both the CBI reports and the AR confirmations raised problematic issues, E&Y was left without sufficient evidence to address the risk of fictitious distributors and suppliers from the very two procedures it had identified to address that risk. In the absence of sufficient evidence, it was critical for E&Y to perform additional procedures to address the fraud risk, but it failed to do so.

B. Failure to Exercise Sufficient Professional Skepticism

39. GAAS requires an auditor to plan and perform audits using professional skepticism, recognizing that circumstances may exist that cause the financial statements to be materially misstated. Professional skepticism is a questioning attitude that is alert to conditions which may indicate possible misstatement due to error or fraud. During the IPO Audit, however, E&Y encountered problematic evidence on multiple occasions, but failed to skeptically analyze the evidence or its implications.

(i) CBI Reports and Accounts Receivable Confirmations

40. As set forth above, E&Y received reports from CBI regarding certain of Zungui's distributors and suppliers which raised a series of significant issues. E&Y also received a highly unusual response to its AR confirmations. This audit evidence was not only insufficient to address the risk of fictitious distributors and suppliers, but also should have raised E&Y's general concern about the possibility of fraud.

(ii) CBI Report for Zungui

41. E&Y also received a report from CBI regarding Zungui's financial results, detailing revenue and earnings information that was significantly lower than the information that Zungui had provided to E&Y about its revenue and earnings. After receiving this CBI report, E&Y noted that the discrepancy between the Zungui-provided information and CBI-provided information was "huge", but did not perform any procedures to obtain an understanding of the reasons for the discrepancies.

(iii) Zungui Rebates to Distributors

42. E&Y noted that Zungui issued rebates to distributors to reimburse them for expenses incurred in building retail outlets for Zungui products, but there were no invoices available to support any of the rebates. Nevertheless, these rebates were credited against Zungui's purported amounts receivable from the distributors.

(iv) Accounts Payable Confirmations

43. E&Y received an unusually positive response to its accounts payable ("AP") confirmations from suppliers, as 78 of 79 confirmations were returned and confirmed the exact transactions with no reconciling items noted. Moreover, nearly all of the confirmations were also signed within seven days of their mailing.

44. All of the issues set forth above constituted "red flags", especially in light of the identified fraud risks relating to distributors, suppliers and the incentive to manipulate financial results. These red flags should have caused E&Y to treat the representations from Zungui management with greater caution and to obtain additional audit evidence from independent sources. However, E&Y did not conduct any additional procedures to address these issues.

C. Failure to Conduct Sufficient Review

45. Under GAAS, the Partner, who had overall responsibility for the Zungui engagement, was required to ensure that the IPO Audit was adequately planned, properly supervised and appropriately reviewed. The Partner was specifically required to ensure that sufficient audit evidence was obtained through review of the audit working papers (which documented the procedures performed, audit evidence obtained and conclusions reached) and through discussion with the audit team. In addition, the Partner was required to review documentation for the identified high-risk areas of the audit and any other areas considered to be significant.

46. In the IPO Audit, certain issues should have prompted the Partner to elevate the level and scope of her working paper review, including the following:

(i) The IPO Audit was a higher risk audit, as it was conducted in preparation for a public listing, involved a foreign-based entity, and identified a risk of fictitious distributors and suppliers.

(ii) Neither E&Y nor the Partner had ever audited Zungui or had any prior experience working with Zungui prior to the IPO Audit.

(iii) E&Y's Manager for the audit, who was the sole reviewer of significant portions of the working papers, was a new employee at E&Y. As noted above, he had never conducted an audit of a China-based company and had never conducted an audit with E&Y or the Partner before. Moreover, the Partner had criticized his level of focus, noting that the Manager showed "a lack of sufficient detail review" of audit evidence at times.

(iv) Although the audit evidence included many Chinese-language documents, no member of the audit team senior to the Manager could understand Chinese other than the Partner.

(v) Although a series of fraud risks had been identified for the IPO Audit, no member of the audit team senior to the Manager had reviewed the work performed to address the fraud risks.

47. Despite the GAAS requirements and the issues identified above, however, the Partner limited her review of the working papers to a review of summary documents and did not review any of the underlying audit evidence.

E&Y's Failures to Comply with GAAS in 2010 Audit

48. As in the IPO Audit, E&Y failed to comply with GAAS in the 2010 Audit because it failed to obtain sufficient appropriate audit evidence, failed to exercise a sufficient level of professional skepticism, and failed to conduct a sufficient review of the audit working papers.

A. Failure to Obtain Sufficient Appropriate Audit Evidence

49. In the 2010 Audit, E&Y identified and assessed the potential risks of material misstatement due to fraud and again identified a risk associated with fictitious distributors and suppliers. Specifically, E&Y identified a risk that Zungui could use fictitious distributors and suppliers or distributor rebates to manipulate its profit margins.

50. To address this fraud risk, E&Y relied on the CBI reports prepared during the IPO Audit, noting that "nothing unusual" was uncovered by the CBI reports and that the reports had established the existence of all top ten distributors. E&Y also reviewed Zungui's calculations of certain distributor rebates, but there were no invoices or independent audit evidence available to support any of the rebates.

51. As a result, E&Y failed to obtain sufficient appropriate audit evidence to address the identified fraud risk.

B. Failure to Exercise Sufficient Professional Skepticism

52. In the 2010 Audit, E&Y encountered recurring red flags related to Zungui's distributors, suppliers and revenue, but failed to skeptically analyze the evidence or its implications.

53. Specifically, E&Y received another unusually positive response to its AR confirmations, as all 33 confirmations sent to distributors were returned and confirmed the exact transactions with no reconciling items noted. E&Y also received a high response rate to its AP confirmations, as all nine confirmations sent to suppliers were returned and confirmed the exact transaction balances with no reconciling items noted. Moreover, nearly all of the AP and AR confirmations were signed within seven days of their mailing.

54. In addition, E&Y continued to rely on its previous analysis of the CBI reports from the IPO Audit, disregarding the multiple issues raised by the reports about Zungui's distributors and suppliers. E&Y also overlooked an unusual consistency in Zungui's top distributor mix, as the percentage of sales for Zungui's top ten distributors were nearly identical during the IPO Audit and 2010 Audit.

55. All of these issues constituted red flags and should have caused E&Y to treat the representations from Zungui management with greater caution and to obtain additional audit evidence from independent sources. However, E&Y did not conduct any additional procedures to respond to the red flags.

C. Failure to Conduct Sufficient Review

56. Finally, the Partner again limited her review of the audit working papers to a review of summary documents for the 2010 Audit, and again failed to review any of the underlying audit evidence.

57. This review failure was particularly problematic in light of the fraud risks identified in the audit and the fact that the same Manager was once again the sole reviewer of significant areas of audit work.

Breaches of Ontario Securities Law

58. E&Y's failures to comply with GAAS in the IPO Audit and 2010 Audit, as outlined above, led it to overlook or discount significant issues that called the accuracy of Zungui's financial statements into question.

59. Each of E&Y's failures to comply with GAAS requirements during the IPO Audit constituted a breach of National Instruments 41-101 and 52-107 and each failure to comply with GAAS in the 2010 Audit constituted a breach of section 78(2) and 78(3) of the Securities Act and National Instrument 52-107.

60. In addition, each document filed with the Commission in which E&Y represented that the IPO Audit and 2010 Audit had been conducted in accordance with GAAS constituted a breach of section 122(1)(b) of the Securities Act.

61. The audit failures of E&Y outlined above also constituted conduct contrary to the public interest.

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

DATED at Toronto, Ontario, this 24th day of June, 2013.

1.2.3 Onix International and Tyrone Constantine Phipps – ss. 37, 127

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

AND

IN THE MATTER OF
ONIX INTERNATIONAL INC. AND
TYRONE CONSTANTINE PHIPPS

AND

IN THE MATTER OF
A SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE ONTARIO SECURITIES COMMISSION
AND
ONIX INTERNATIONAL INC. AND
TYRONE CONSTANTINE PHIPPS

NOTICE OF HEARING
(Sections 37 and 127 of the Securities Act)

TAKE NOTICE THAT the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to sections 37 and 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") at the offices of the Commission at 20 Queen Street West, 17th Floor Hearing Room on June 26, 2013 at 10:30 a.m. or as soon thereafter as the hearing can be held;

AND TAKE NOTICE that the purpose of the hearing is for the Commission to consider whether it is in the public interest to approve a settlement agreement between Staff of the Commission and Onix International Inc. and Tyrone Constantine Phipps;

BY REASON OF the allegations set out in the Statement of Allegations of Staff of the Commission dated March 7, 2013 and such further 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 24th day of June, 2013

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

1.3 News Releases

1.3.1 Ontario Securities Commission Release Results of Mining Issuer Technical Reports Sweep

ONTARIO SECURITIES COMMISSION
RELEASE RESULTS OF
MINING ISSUER TECHNICAL REPORTS SWEEP

TORONTO – The Ontario Securities Commission (OSC) today published OSC Staff Notice 43-705 *Report on Staff's Review of Technical Reports by Ontario Mining Issuers*, which sets out results of its compliance review of technical reports and provides further guidance for complying with National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.

OSC Staff conducted a review of 50 technical reports filed by Ontario mining issuers to assess whether they complied with recent revisions to NI 43-101, adopted by the Canadian Securities Administrators on June 30, 2011. During the review, Staff identified an unacceptable level of compliance. Specifically, 80 percent of the total number of technical reports reviewed had some form of non-compliance with the disclosure requirements and approximately 40 per cent had at least one major non-compliance concern.

"Technical reports are fundamental disclosure documents and ensuring compliance among mining issuers is critical," said Huston Loke, Director, Corporate Finance. "It is important that investors have accurate and meaningful information about material mineral properties in order to make informed investment decisions."

OSC staff will continue to monitor technical reports filed by Ontario mining issuers as part of its continuous disclosure program and will take regulatory action as appropriate where securities requirements are not met.

The results of the review are set out in OSC Staff Notice 43-705 and the guidance provided should be used as a tool by mining issuers when preparing their technical reports.

The OSC is the regulatory body responsible for overseeing Ontario's capital markets. The OSC administers and enforces Ontario's securities and commodity futures laws. Its mandate is to provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets.

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1.4 Notices from the Office of the Secretary

1.4.1 Knowledge First Financial Inc.

FOR IMMEDIATE RELEASE
June 18, 2013

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

AND

IN THE MATTER OF
KNOWLEDGE FIRST FINANCIAL INC.

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

1. The Temporary Order is extended to June 25, 2013;

2. The hearing is adjourned to June 21, 2013 at 2:00 p.m.; and

3. The hearing date of June 19, 2013 at 11:00 a.m. is vacated.

A copy of the Order dated June 18, 2013 is available at www.osc.gov.on.ca.

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1.4.2 Vincent Ciccone and Cabo Catoche Corp. (a.k.a. Medra Corp. and Medra Corporation)

FOR IMMEDIATE RELEASE
June 19, 2013

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

AND

IN THE MATTER OF
VINCENT CICCONE and CABO CATOCHE CORP.
(a.k.a. MEDRA CORP. and MEDRA CORPORATION)

TORONTO – Following the hearing on the merits in the above noted matter, the Commission issued its Reasons and Decision with respect to Cabo Catoche Corp. (a.k.a. Medra Corp. and Medra Corporation).

The Commission also issued an Order which provides that (1) Staff shall file and serve written submissions on sanctions and costs by July 2, 2013; (2) Medra shall file and serve written submissions on sanctions and costs by July 10, 2013; (3) Staff shall file and serve written reply submissions on sanctions and costs by July 12, 2013; and (4) the hearing to determine sanctions and costs will be held at the offices of the Commission at 20 Queen Street West, 17th floor, Toronto, ON, on July 18, 2013, at 11:00 a.m., or such further or other dates as agreed by the parties and set by the Office of the Secretary.

A copy of the Reasons and Decision with respect to Cabo Catoche Corp. (a.k.a. Medra Corp. and Medra Corporation) and the Order dated June 18, 2013 are available at www.osc.gov.on.ca.

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1.4.3 Blackwood & Rose Inc. et al.

FOR IMMEDIATE RELEASE
June 20, 2013

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

AND

IN THE MATTER OF
BLACKWOOD & ROSE INC., STEVEN ZETCHUS and JUSTIN KRELLER (also known as JUSTIN KAY)

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

(i) the Temporary Order is extended to August 14, 2013 or until further order of the Commission; and

(ii) the hearing is adjourned to August 12, 2013 at 2:00 p.m., or to such other date or time as provided by the Office of the Secretary and agreed to by the parties, for the purpose of conducting a status hearing and to consider a further extension of the Temporary Order.

A copy of the Temporary Order dated June 18, 2013 is available at www.osc.gov.on.ca.

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1.4.4 Heritage Management Group and Anna Hrynisak

FOR IMMEDIATE RELEASE
June 20, 2013

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

AND

IN THE MATTER OF
HERITAGE MANAGEMENT GROUP
and ANNA HRYNISAK

AND

IN THE MATTER OF
A SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE ONTARIO SECURITIES COMMISSION
AND HERITAGE MANAGEMENT GROUP
and ANNA HRYNISAK

TORONTO – The Office of the Secretary issued a Notice of Hearing for a hearing to consider whether it is in the public interest to approve a settlement agreement entered into by Staff of the Commission and Heritage Management Group and Anna Hrynisak. The hearing will be held on June 24, 2013 at 9:30 a.m. on the 17th floor of the Commission's offices located at 20 Queen Street West, Toronto, Ontario.

A copy of the Notice of Hearing dated June 19, 2013 is available at www.osc.gov.on.ca.

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1.4.5 Energy Syndications Inc. et al.

FOR IMMEDIATE RELEASE
June 21, 2013

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

AND

IN THE MATTER OF
ENERGY SYNDICATIONS INC.,
GREEN SYNDICATIONS INC.,
SYNDICATIONS CANADA INC.,
DANIEL STRUMOS, MICHAEL BAUM
and DOUGLAS WILLIAM CHADDOCK

TORONTO – Following the hearing on the merits in the above noted matter, the Commission issued its Reasons and Decision.

The Commission also issued an Order which provides that (1) Staff shall file and serve written submissions on sanctions and costs by July 10, 2013; (2) the Respondents shall file and serve written submissions on sanctions and costs by July 31, 2013; (3) Staff shall file and serve written reply submissions on sanctions and costs by August 14, 2013; (4) the hearing to determine sanctions and costs will be held at the offices of the Commission at 20 Queen Street West, 17th floor, Toronto, on September 4, 2013, at 10:00 a.m., or such further or other dates as agreed by the parties and set by the Office of the Secretary; and (5) upon failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party, and such party is not entitled to any further notice of the proceeding.

A copy of the Reasons and Decision and the Order dated June 20, 2013 are available at www.osc.gov.on.ca.

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1.4.6 Ernst & Young LLP (Audits of Zungui Haixi Corporation)

FOR IMMEDIATE RELEASE
June 24, 2013

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

AND

IN THE MATTER OF
ERNST & YOUNG LLP
(AUDITS OF ZUNGUI HAIXI CORPORATION)

TORONTO – The Office of the Secretary issued a Notice of Hearing on June 24, 2013 setting the matter down to be heard on July 15, 2013 at 2:30 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 June 24, 2013 and Statement of Allegations of Staff of the Ontario Securities Commission dated June 24, 2013 are available at www.osc.gov.on.ca.

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1.4.7 Knowledge First Financial Inc.

FOR IMMEDIATE RELEASE
June 24, 2013

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

AND

IN THE MATTER OF
KNOWLEDGE FIRST FINANCIAL INC.

TORONTO – The Commission issued an Order in the above named matter with certain provisions pursuant to section 127 of the Act. The Temporary Order is extended to October 24, 2013 or until such further order of the Commission and the hearing is adjourned to October 22, 2013 at 3:00 p.m.

A copy of the Order dated June 21, 2013 is available at www.osc.gov.on.ca.

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1.4.8 Onix International Inc. and Tyrone Constantine Phipps

FOR IMMEDIATE RELEASE
June 24, 2013

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

AND

IN THE MATTER OF
ONIX INTERNATIONAL INC. AND
TYRONE CONSTANTINE PHIPPS

AND

IN THE MATTER OF
A SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE ONTARIO SECURITIES COMMISSION
AND ONIX INTERNATIONAL INC. AND
TYRONE CONSTANTINE PHIPPS

TORONTO – The Office of the Secretary issued a Notice of Hearing for a hearing to consider whether it is in the public interest to approve a settlement agreement entered into by Staff of the Commission and Onix International Inc. and Tyrone Constantine Phipps. The hearing will be held on June 26, 2013 at 10:30 a.m. in Hearing Room D on the 17th floor of the Commission's offices located at 20 Queen Street West, Toronto.

A copy of the Notice of Hearing dated June 24, 2013 is available at www.osc.gov.on.ca.

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1.4.9 Heritage Management Group and Anna Hrynisak

FOR IMMEDIATE RELEASE
June 25, 2013

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

AND

IN THE MATTER OF
HERITAGE MANAGEMENT GROUP and ANNA HRYNISAK

AND

IN THE MATTER OF
A SETTLEMENT AGREEMENT BETWEEN STAFF OF
THE ONTARIO SECURITIES COMMISSION
AND HERITAGE MANAGEMENT GROUP
AND ANNA HRYNISAK

TORONTO – Following a hearing held on June 24, 2013, the Commission issued an Order in the above named matter approving the Settlement Agreement reached between Staff of the Commission and Heritage Management Group and Anna Hrynisak.

A copy of the Order dated June 24, 2013 and Settlement Agreement dated June 21, 2013 are available at www.osc.gov.on.ca.

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1.4.10 Global Consulting and Financial Services et al.

FOR IMMEDIATE RELEASE
June 25, 2013

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

AND

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

TORONTO – The Commission issued a Temporary Order in the above named matter which provides that the Amended Temporary Order against Global, Crown, Michael Chomica, Jan Chomica and Banks is extended to two days following the conclusion of the Section 127 Proceedings, including the issuance of the Commission's decision on sanctions and costs should a sanctions hearing be required following the conclusion of the hearing on the merits in this matter.

A copy of the Temporary Order dated June 24, 2013 is available at www.osc.gov.on.ca.

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1.4.11 Portfolio Capital Inc. et al.

FOR IMMEDIATE RELEASE
June 25, 2013

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

AND

IN THE MATTER OF
PORTFOLIO CAPITAL INC., DAVID ROGERSON
and AMY HANNA-ROGERSON

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

(a) Staff shall provide any additional disclosure to the Respondents by July 12, 2013;

(b) Staff shall provide its witness list and hearing briefs to the Respondents by September 12, 2013;

(c) the Respondents shall provide their witness lists and hearing briefs to Staff by September 25, 2013;

(d) the hearing is adjourned to a further pre-hearing conference to be held on September 27, 2013 at 10:00 a.m. to prepare for the hearing on the merits; and

(e) the hearing on the merits in this matter shall commence on November 4, 2013 at 10:00 a.m. and shall continue on November 6, 7, 8 and 11, 2013.

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

A copy of the Order dated June 24, 2013 is available at www.osc.gov.on.ca.

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Blackrock Asset Management Canada Limited et al.

June 20, 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
BLACKROCK ASSET MANAGEMENT CANADA LIMITED
(the Filer)

AND

iSHARES SILVER BULLION FUND (SVR)
iSHARES GOLD BULLION FUND (CGL)
iSHARES EQUAL WEIGHT BANC & LIFECO FUND (CEW)
iSHARES CANADIAN FINANCIAL MONTHLY INCOME FUND
(FIE, and together with SVR, CGL and CEW, the Funds)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction (the **Legislation**) for an exemption relieving (i) SVR from the prohibition in subsection 15.6(a) of National Instrument 81-102 *Mutual Funds* (**NI 81-102**) to permit SVR to show historic performance data in sales communications notwithstanding that it has not, as an exchange-traded mutual fund, distributed its securities under a prospectus for 12 consecutive months; and (ii) the Funds from the prohibition in subsection 15.6(d) of NI 81-102 to permit sales communications relating to the Funds to contain performance data of the classes of units of each Fund issued and outstanding during the periods prior to the dates on which the Funds converted into exchange-traded mutual funds[1] and commenced offering their securities under a prospectus on a continuous basis (the **Requested Relief**).

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

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

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

[1] With respect to SVR, both the hedged and non-hedged units of the Fund were issued and outstanding prior to the date on which SVR converted into an exchange-traded mutual fund. With respect to CGL, only the hedged units of the Fund were issued and outstanding; and with respect to CEW and FIE, only the advisor class units of each Fund were issued and outstanding.

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 herein.

Representations

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

1. The Filer is the trustee, investment fund manager and portfolio advisor of the Funds. The head office of the Filer is located in Toronto, Ontario. The Filer is registered in the categories of Portfolio Manager, Investment Fund Manager and Exempt Market Dealer in all Canadian jurisdictions. The Filer is also registered as a Commodity Trading Manager in Ontario.

2. The Filer, formerly known as Claymore Investments, Inc., was previously an indirect, wholly-owned subsidiary of Guggenheim Partners, LLC and was acquired by BlackRock, Inc. ("**BlackRock**") effective March 7, 2012 (the "Acquisition"). As a result of the Acquisition, the Filer is an indirect, wholly-owned subsidiary of BlackRock, a leader in investment management, risk management and advisory services for institutional and retail clients worldwide.

3. Following the Acquisition, the name of the Filer was changed to "BlackRock Investments Canada Inc.". Effective December 1, 2012, the Filer was amalgamated under the laws of the Province of Ontario with another wholly-owned subsidiary of BlackRock and became known as "BlackRock Asset Management Canada Limited".

4. Prior to the Acquisition, the Funds were managed by Claymore Investments, Inc.

5. SVR, CGL, CEW and FIE were established as independent closed-end investment funds under the laws of Ontario pursuant to a separate declaration of trust or trust agreement, as applicable, dated June 29, 2009, May 19, 2009, April 30, 2007 and July 27, 2005, respectively (each an **Original Trust Document**). Each Original Trust Document has been amended from time to time in accordance with its terms. Currently, SVR and CGL are governed by a single master declaration of trust dated November 1, 2012, CEW is governed by an amended and restated declaration of trust dated October 24, 2012 and FIE is governed by an amended and restated trust agreement dated November 9, 2012.

6. The Funds are reporting issuers under the securities legislation of each of the provinces and territories of Canada.

7. Units of SVR, CGL CEW and FIE were initially distributed pursuant to initial public offerings under long form prospectuses dated June 29, 2009, May 19, 2009, April 30, 2007 and July 27, 2005, respectively (each a **Long Form Prospectus**) and were listed and traded on the Toronto Stock Exchange.

8. Units of SVR and CGL are currently distributed under a final long form prospectus dated October 22, 2012.

9. Units of CEW and FIE are currently distributed under a final long form prospectus dated October 10, 2012.

10. The following table sets out the number of units outstanding, the net asset value (**NAV**) per unit, and assets under management (**AUM**) for each class of the Funds, as well as the aggregate AUM of each Fund, as of January 18, 2013:

	SVR (Hedged)	**SVR (Non-Hedged)**	**CGL (Hedged)**	**CGL (Non-Hedged)**	**FIE**	**FIE.A**	**CEW**	**CEW.A**
Units	**5,750,000**	**2,500,000.00**	**39,500,000**	**3,000,000**	**17,800,000**	**18,900,000**	**4,200,000**	**9,750,000**
NAV per Unit	**$18.52**	**$12.89**	**$15.09**	**$15.12**	**$6.73**	**$6.54**	**$7.85**	**$6.58**
AUM	**$106,510,343.50**	**$32,217,512.50**	**$596,240,018**	**$45,345,456**	**$119,816,428**	**$123,569,541.90**	**$32,956,303.80**	**$64,127,700**
Aggregate AUM	**$138,727,856.00**		**$641,585,474.00**		**$243,385,969.90**		**$97,084,003.80**	

11. Neither the Filer nor the Funds are in default of securities legislation in any province or territory of Canada.

12. On December 21, 2006, unitholders of FIE approved: 1) a merger of FIE and Canadian Financial Dividend & Income Fund ("FDI"), with FIE remaining as the continuing fund ; and 2) an amendment to the Original Trust Document of FIE

to provide for a voluntary early conversion of FIE from a closed-end fund to an exchange-traded mutual fund (the FIE Conversion). The merger of FIE and FDI was effective as of January 16, 2007. The FIE Conversion was effective on March 2, 2007 (the **FIE Conversion Date**) and FIE was renamed "Claymore Canadian Financial Monthly Income ETF" (and later, **"iShares Canadian Financial Monthly Income ETF"**). FIE commenced distributing advisor class units on a continuous basis under a prospectus at that time.

13. Common units of FIE were first qualified for distribution on a continuous basis pursuant to a prospectus dated January 28, 2010, and began trading under the ticker symbol "FIE" on April 16, 2010. The advisor class units of FIE (which had previously been the only class of units issued and outstanding) then began trading on the Toronto Stock Exchange under the new ticker symbol "FIE.A".

14. Pursuant to the terms of the Original Trust Document and as contemplated by the Long Form Prospectus of CEW, CEW converted to an exchange-traded mutual fund (the **CEW Conversion**) when the daily weighted average trading price of its units represented a discount of more than 2% of the NAV per unit for that day, for a period of 10 consecutive trading days. The CEW Conversion was effective as of February 6, 2008 (the **CEW Conversion Date**).

15. On the CEW Conversion Date, the name of CEW was changed to "Claymore Equal Weight Banc & Lifeco ETF" (and later, "iShares Equal Weight Banc & Lifeco Fund") and the advisor class units of CEW began trading on the Toronto Stock Exchange under the new ticker symbol "CEW.A". Common units of CEW were first qualified for distribution on a continuous basis under a prospectus dated January 29, 2008 and began trading under the ticker symbol "CEW" on February 6, 2008.

16. Pursuant to the terms of the Original Trust Document and as contemplated by the Long Form Prospectus of CGL, CGL converted to an exchange-traded mutual fund (the CGL Conversion) when the daily weighted average trading price of its units represented a discount of more than 2% of the NAV per unit for that day, for a period of 10 consecutive trading days. The CGL Conversion was effective as of February 16, 2010 (the **CGL Conversion Date**).

17. On the CGL Conversion Date, the name of CGL was changed to "Claymore Gold Bullion ETF" (and later, **"iShares Gold Bullion Fund"**) and hedged units of CGL began trading on the Toronto Stock Exchange under the new ticker symbol "CGL". Non-hedged units of CGL were first qualified for distribution on a continuous basis under a prospectus dated January 29, 2010 and began trading under the ticker symbol "CGL.C" on February 16, 2010.

18. The Original Trust Document and the Long Form Prospectus of SVR contemplated the automatic conversion of SVR into an exchange-traded mutual fund if, for a period of 10 consecutive trading days, the daily weighted average trading price of the hedged units of SVR was greater than a discount of 2% of NAV per hedged unit for that day. On August 28, 2012, unitholders of SVR approved an amendment to the Original Trust Document of SVR to provide for a voluntary early conversion of SVR from a closed-end fund to an exchange-traded mutual fund (the **SVR Conversion**), which was implemented by the Filer on November 5, 2012 (the SVR Conversion Date).

19. On the SVR Conversion Date, the name of SVR was changed to "iShares Silver Bullion Fund" and the hedged units and non-hedged units of SVR began trading on the Toronto Stock Exchange under the new ticker symbols "SVR" and "SVR.C", respectively.

20. Both before and after conversion, but subject to the best of the knowledge of the Filer in relation to the period prior to the Acquisition, the investment practices of the Funds complied and continue to comply in all respects with the requirements of Part 2 of NI 81-102, except to the extent that the Funds have received permission from the Canadian securities regulatory authorities to deviate therefrom, as described in the current final long form prospectuses of the Funds.

21. Any changes between the Funds pre- and post-conversion that could have a material effect on the performance of the Funds will be disclosed in sales communications pertaining to the Funds.

22. Without the Requested Relief:

    (i) sales communications pertaining to SVR will not be permitted to include performance data until November 25, 2013, being the date when the Fund will have distributed securities as an exchange-traded mutual fund under a prospectus in a jurisdiction for 12 consecutive months; and

    (ii) Sales communications pertaining to each Fund will only be permitted to include performance data for the periods commencing on or after the approximate dates on which the Funds commenced distributing securities, as exchange-traded mutual funds, on each Fund's Conversion Date.

Decision

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

The decision of the principal regulator under the Legislation is that the Requested Relief is granted.

"Vera Nunes"
Manager, Investment Funds Branch

2.1.2 Fidelity Investments Canada ULC

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – relief from certain specified derivatives and custodial requirements to permit mutual funds to enter into swap transactions that are cleared through a clearing corporation – relief required because of new U.S. requirements to clear over-the-counter derivatives including swaps – decision treats cleared swaps similar to other cleared derivatives – National Instrument 81-102 Mutual Funds.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 2.7(1) and (4), 6.8(1), 19.1.

June 7, 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
FIDELITY INVESTMENTS CANADA ULC
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**), pursuant to section 19.1 of National Instrument 81-102 *Mutual Funds* (**NI 81-102**), exempting each Existing FIC Fund (as defined below) and all current and future mutual funds managed by the Filer that enter into Swaps (as defined below) in the future (each, a **Future FIC Fund** and, together with the Existing FIC Funds, each, a **FIC Fund** and, collectively, the **FIC Funds**):

(i) from the requirement in subsection 2.7(1) of NI 81-102 that a mutual fund must not purchase an option or a debt-like security or enter into a swap or a forward contract unless, at the time of the transaction, the option, debt-like security, swap or contract has an approved credit rating or the equivalent debt of the counterparty, or of a person or company that has fully and unconditionally guaranteed the obligations of the counterparty in respect of the option, debt-like security, swap or contract, has an approved credit rating (the **Counterparty Credit Rating Requirement**);

(ii) from the limitation in subsection 2.7(4) of NI 81-102 that the mark-to-market value of the exposure of a mutual fund under its specified derivatives positions with any one counterparty other than an acceptable clearing corporation or a clearing corporation that settles transactions made on a futures exchange listed in Appendix A to NI 81-102 shall not exceed, for a period of 30 days or more, 10 percent of the net asset value of the mutual fund (the **Counterparty Mark-to-Market Exposure Limit**); and

(iii) from the requirement in subsection 6.1(1) of NI 81-102 to hold all portfolio assets of a mutual fund under the custodianship of one custodian in order to permit each FIC Fund to deposit cash and portfolio assets directly with a Futures Commission Merchant (as defined below) and indirectly with a Clearing Corporation (as defined below) as margin,

in each case, with respect to cleared Swaps (the **Requested Relief**).

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 each of the other provinces and territories of Canada (the **Other Jurisdictions**).

Interpretation

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

"**CFTC**" means the U.S. Commodity Futures Trading Commission

"**Clearing Corporation**" means any of the Chicago Mercantile Exchange Inc., ICE Clear Credit LLC, LCH.Clearnet Limited and any other clearing organization that is permitted to operate in the Jurisdiction or the Other Jurisdiction, as the case may be, where the FIC Fund is located

"**Dodd-Frank**" means the Dodd-Frank Wall Street Reform and Consumer Protection Act

"**Existing FIC Fund**" means any of Fidelity Canadian Asset Allocation Fund, Fidelity Canadian Balanced Fund, Fidelity Canadian Bond Fund, Fidelity Canadian Short Term Bond Fund, Fidelity Corporate Bond Fund, Fidelity Global Bond Fund and Fidelity U.S. Monthly Income Fund

"**Fidelity**" means the global Fidelity group of companies, including the Filer, Pyramis and their affiliates

"**Futures Commission Merchant**" means any futures commission merchant that is registered with the CFTC and is a member of a Clearing Corporation

"**OTC**" means over-the-counter

"**Pyramis**" means Pyramis Global Advisors, LLC

"**Swaps**" means the swaps that are, or will become, subject to a clearing determination issued by the CFTC, including fixed-to-floating interest rate swaps, basis swaps, forward rate agreements in U.S. dollars, the Euro, Pounds Sterling or the Japanese Yen, overnight index swaps in U.S. dollars, the Euro and Pounds Sterling and untranched credit default swaps on certain North American indices (CDX.NA.IG and CDX.NA.HY) and European indices (iTraxx Europe, iTraxx Europe Crossover and iTraxx Europe HiVol) at various tenors

"**U.S. Person**" has the meaning attributed thereto by the CFTC

Representations

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

1. The Filer is, or will be, the investment fund manager of each FIC Fund. The Filer is registered as an investment fund manager, portfolio manager and mutual fund dealer in the Province of Ontario and is registered under the Commodity Futures Act (Ontario) in the category of commodity trading manager. The Filer is also registered as an investment fund manager, portfolio manager and mutual fund dealer in the Provinces of Québec and Newfoundland and as a portfolio manager and mutual fund dealer in each of the other provinces and territories of Canada. The head office of the Filer is in Toronto, Ontario.

2. Either the Filer or Pyramis, an affiliate of the Filer, is, or will be, the portfolio adviser to the FIC Funds. An affiliate of the Filer and of Pyramis is the sub-adviser to each Existing FIC Fund.

3. Each FIC Fund is, or will be, a mutual fund created under the laws of either the Province of Ontario or Alberta and is, or will be, subject to the provisions of NI 81-102.

4. Neither the Filer nor the FIC Funds are, or will be, in default of securities legislation in any Jurisdiction.

5. The securities of each FIC Fund are, or will be, qualified for distribution pursuant to a prospectus that was, or will be, prepared and filed in accordance with the securities legislation of the Jurisdictions. Accordingly, each FIC Fund is, or will be, a reporting issuer or the equivalent in each Jurisdiction.

6. The investment objective and investment strategies of each FIC Fund permit, or will permit, the FIC Fund to enter into derivative transactions, including Swaps. The portfolio management team of the Existing FIC Funds consider Swaps to be an important investment tool that is available to it to properly manage each FIC Fund's portfolio. Over the last five calendar years, the Existing FIC Funds have entered into foreign exchange swaps, interest rate swaps and credit default swaps on single names and indices that had an aggregate notional value of approximately U.S. $1.5 billion.

7. Dodd-Frank requires that certain OTC derivatives be cleared through a Futures Commission Merchant at a Clearing Corporation. Generally, where one party to a Swap is a U.S. Person and the other party to the Swap is a mutual fund, such as a FIC Fund, that Swap must be cleared, absent an available exception, beginning on June 10, 2013. With respect to entities such as the FIC Funds, the compliance date for the clearing of iTraxx CDS indices is July 25, 2013.

8. Currently, the FIC Funds enter into Swaps on an OTC basis with a number of Canadian, U.S. and other international counterparties. In the case of the FIC Funds, these OTC Swaps are entered into in compliance with the derivative provisions of NI 81-102.

9. In order to benefit from both the pricing benefits and reduced trading costs that Fidelity is often able to achieve through its trade execution practices for its managed investments funds and from the reduced costs associated with cleared OTC derivatives as compared to other OTC trades, Fidelity wishes to enter into cleared Swaps on behalf of the FIC Funds by no later than June 10, 2013.

10. In the absence of the Requested Relief, Fidelity will need to structure the Swaps entered into by the FIC Funds on or after June 10, 2013 so as to avoid the clearing requirements of the CFTC. The Filer respectfully submits that this would not be in the best interest of the FIC Funds and their investors for a number of reasons, as set out below.

11. The Filer strongly believes that it is in the best interests of the FIC Funds and their investors to continue to execute OTC derivatives with U.S. Persons, including U.S. swap dealers, after June 10, 2013.

12. In its role as a fiduciary for the FIC Funds, the Filer has determined that central clearing represents the best choice for the investors in the FIC Funds to mitigate the legal, operational and back office risks faced by investors in the global swap markets.

13. Fidelity currently uses the same trade execution practices for all of its managed funds, including the FIC Funds. An example of these trade execution practices is block trading, where large number of securities are purchased or sold or large derivative trades are entered into on behalf of a number of investment funds advised by Fidelity. Beginning no later than June 10, 2013, these practices will include the use of cleared Swaps if such trades are executed with a U.S. swap dealer. If the FIC Funds are unable to employ these trade execution practices, then Fidelity will have to create separate trade execution practices only for the FIC Funds and will have to execute trades for the FIC Funds on a separate basis. This will increase the operational risk for the FIC Funds, as separate execution procedures will need to be established and followed only for the FIC Funds. In addition, the FIC Funds will no longer be able to enjoy the possible price benefits and reduction in trading costs that Fidelity may be able to achieve through a common practice for its family of investment funds. In Fidelity's opinion, best execution and maximum certainty can best be achieved through common trade execution practices, which, in the case of OTC derivatives, involve the execution of Swaps on a cleared basis.

14. As a member of the G20 and a participant in the September 2009 commitment of G20 nations to improve transparency and mitigate risk in derivatives markets, Canada has expressly recognized the systemic benefits that clearing OTC derivatives offers to market participants, such as the FIC Funds. The Filer respectfully submits that the FIC Funds should be encouraged to comply with the robust clearing requirements established by the CFTC by granting them the Requested Relief.

15. The Requested Relief is analogous to the treatment currently afforded under NI 81-102 to other types of derivatives that are cleared, such as clearing corporation options, options on futures and standardized futures. This demonstrates that, from a policy perspective, the Requested Relief is consistent with the views of the Canadian securities authorities in respect of cleared derivative trades.

16. For the reasons provided above, the Filer submits that it would not be prejudicial to the public interest to grant the Requested Relief.

Decision

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

The decision of the principal regulator under the Legislation is that the Requested Relief is granted provided that, in respect of the deposit of cash and portfolio assets as margin:

(a) in Canada,

(i) the Futures Commission Merchant is a member of a SRO that is a participating member of CIPF; and

(ii) the amount of margin deposited and maintained with the Futures Commission Merchant does not, when aggregated with the amount of margin already held by the Futures Commission Merchant, exceed 10 percent of the net asset value of the FIC Fund as at the time of deposit; and

(b) outside of Canada,

(i) the Futures Commission Merchant is a member of a Clearing Corporation and, as a result, is subject to a regulatory audit;

(ii) the Futures Commission Merchant has a net worth, determined from its most recent audited financial statements that have been made public or from other publicly available financial information, in excess of the equivalent of $50 million; and

(iii) the amount of margin deposited and maintained with the Futures Commission Merchant does not, when aggregated with the amount of margin already held by the Futures Commission Merchant, exceed 10 percent of the net asset value of the FIC Fund as at the time of deposit.

This decision will terminate on the earlier of (i) the coming into force of any revisions to the provisions of NI 81-102 that address the clearing of OTC derivatives, and (ii) two years from the date of this decision.

“Darren McKall”
Manager, Investment Funds Branch

2.1.3 Canoe Financial LP

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – investment fund manager obtaining relief from the requirement to obtain the approval of securityholders before changing the fundamental investment objective of certain funds – relief required as a result of changes to federal budget eliminating certain tax benefits associated with character conversion transactions – Filer required to send written notice at least 60 days before the effective date of the change to the investment objective of the Fund setting out the change, the reasons for such change and a statement that the Fund will no longer distribute gains under forward contracts that are treated as capital gains for tax purposes – National Instrument 81-102.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 5.1(c), 19.1.

June 5, 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
CANOE FINANCIAL LP
(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 on behalf of each of Canoe Strategic High Yield Class (**Strategic High Yield**), Canoe 'GO CANADA!' North American Monthly Income Class (**NAMI**), Canoe 'GO CANADA!' Bond Advantage Class (**Bond Advantage**) and Canoe 'GO CANADA!' Enhanced Income Class (**Enhanced Income**) (each, a **Fund** and, collectively, the **Funds**) under the securities legislation of the Jurisdictions (the **Legislation**) for a decision exempting each Fund from the requirement in National Instrument 81-102 *Mutual Funds* (**NI 81-102**) to obtain the approval of securityholders before changing the fundamental investment objective of the Fund (the **Exemption Sought**).

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

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

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System (***MI 11-102**) is intended to be relied upon by the Filer in each of the provinces and territories of Canada other than Ontario; and

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

Interpretation

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

Representations

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

1. The Filer is the investment fund manager of each Fund. The Filer is registered in the Province of Alberta as an investment fund manager, portfolio manager and exempt market dealer. The head office of the Filer is in Calgary, Alberta.

2. The Filer is the portfolio manager of each of Bond Advantage and Enhanced Income and AEGON Capital Management Inc. (**AEGON Capital**) is the sub-advisor of these Funds. AEGON Capital is the portfolio manager of each of Strategic High Yield and NAMI and has appointed AEGON USA Investment Management, LLC as sub-advisor of these Funds.

3. Each Fund is a class of shares of Canoe 'GO CANADA!' Fund Corp., a mutual fund corporation incorporated under the laws of the Province of Alberta. Each Fund is subject to the provisions of NI 81-102.

4. Neither the Filer nor the Funds are in default of securities legislation in any Jurisdiction.

5. The shares of each Fund are qualified for distribution pursuant to a prospectus dated December 11, 2012, as amended, that was prepared and filed in accordance with the securities legislation of the Jurisdictions. Accordingly, each Fund is a reporting issuer or the equivalent in each Jurisdiction.

6. Under its current investment objective and strategies, each Fund may enter into transactions (**Character Conversion Transactions**) in which it uses derivatives to sell Canadian equity securities for prices determined with reference to its applicable reference fund(s). The current investment objective of each Fund is set out in the table below:

Fund	Investment Objective
Strategic High Yield	The Fund aims to provide a return that is similar to the return of a high yield fixed income mutual fund (the "Reference Fund") managed by the Filer, or by an affiliate or associate of the Filer, less transaction and hedging costs. The Fund invests primarily in equity securities issued by Canadian corporations and enters into forward contracts or other similar derivative arrangements in order to hedge its exposure to the equities and provide the Fund with a return based on the performance of the Reference Fund. The Fund may also invest some or all of its assets directly in securities similar to those held by the Reference Fund.
NAMI	The Fund aims to generate income and long-term capital growth by investing primarily, directly or indirectly, in high-yielding equity securities and corporate bonds of North American issuers. If the Fund seeks to achieve its objective indirectly, it may invest primarily in securities of mutual funds and/or equity securities issued by Canadian corporations and enter into forward contracts or other similar derivative arrangements in order to hedge its exposure to the equities and provide the Fund with a return based on the performance of a portfolio of high-yielding equity securities and corporate bonds of North American issuers.
Bond Advantage	The Fund aims to provide a return that is similar to the return of a Canadian bond mutual fund (the "Reference Fund") managed by the Filer, or by an affiliate or associate of the Filer, less transaction and hedging costs.

Fund	Investment Objective
	The Fund invests primarily in equity securities issued by Canadian corporations and enters into forward contracts or other similar derivative arrangements in order to hedge its exposure to the equities and provide the Fund with a return based on the performance of the Reference Fund. The Fund may also invest some or all of its assets directly in securities similar to those held by the Reference Fund.
Enhanced Income	The Fund aims to provide a return that is similar to the return of a fixed income balanced mutual fund (the "Reference Fund") managed by the Filer, or by an affiliate or associate of the Filer, less transaction and hedging costs. The Fund invests primarily in equity securities issued by Canadian corporations and enters into forward contracts or other similar derivative arrangements in order to hedge its exposure to the equities and provide the Fund with a return based on the performance of the Reference Fund. The Fund may also invest some or all of its assets directly in securities similar to those held by the Reference Fund.

7. On March 21, 2013, the Federal Minister of Finance presented the majority government's budget (the **Budget Proposal**). The Budget Proposal will eliminate the tax benefits associated with Character Conversion Transactions. The changes apply to Character Conversion Transactions entered into or amended after March 20, 2013.

8. The Filer has reviewed the impact that the Budget Proposal regarding Character Conversion Transactions will have on each Fund. In the case of each of Strategic High Yield and NAMI, neither of these Funds had used a Character Conversion Transaction prior to the Budget Proposal and, accordingly, these Funds will never enter into Character Conversion Transactions. Bond Advantage entered into its first Character Conversion Transactions on March 21, 2013, which transaction settled on April 18, 2013. Enhanced Income has entered into Character Conversion Transactions since September 2012 and its last transaction settled on April 30, 2013. In respect of both of these Funds, the Filer has determined that, in the current low interest rate environment, the cost of the Character Conversion Transactions outweigh the tax advantage to investors. Accordingly, the Filer has determined that neither Bond Advantage nor Enhanced Income will enter into any further Character Conversion Transactions.

9. On April 26, 2013, the Filer issued a press release stating that, in the case of each of Strategic High Yield and NAMI, Character Conversion Transactions will not be entered into and, in the case of each of Bond Advantage and Enhanced Income, Character Conversion Transactions have ceased to be used. The simplified prospectus of the Funds has been amended to provide notice that each Fund will no longer use Character Conversion Transactions and will, instead, invest directly in securities of its applicable reference fund or funds.

10. The Filer wishes to amend the investment objectives of each Fund to remove all references to the use of Character Conversion Transactions to gain exposure to the applicable reference fund(s) and to clarify that each Fund may invest directly in securities

11. Similar to those held by the applicable reference fund(s) or directly in securities of the applicable reference fund. Following such amendment, the revised investment objectives of each Fund will be as set out in the table below:

Fund	Investment Objective
Strategic High Yield	The Fund aims to provide a return that is similar to the return of a high yield fixed income mutual fund (the "Reference Fund") managed by the Filer, or by an affiliate or associate of the Filer.

Fund	Investment Objective
	The Fund invests primarily in the securities of the Reference Fund and/or it may invest some or all of its assets directly in securities similar to those held by the Reference Fund.
NAMI	The Fund aims to generate income and long-term capital growth by investing primarily, directly or indirectly, in high-yielding equity securities and corporate bonds of North American issuers. If the Fund seeks to achieve some or all of its objective indirectly, it will invest primarily in securities of mutual funds.
Bond Advantage	The Fund aims to provide a return that is similar to the return of a Canadian bond mutual fund (the "Reference Fund") managed by the Filer, or by an affiliate or associate of the Filer. The Fund invests primarily in the securities of the Reference Fund and/or it may invest some or all of its assets directly in securities similar to those held by the Reference Fund.
Enhanced Income	The Fund aims to provide a return that is similar to the return of a fixed income balanced mutual fund (the "Reference Fund") managed by the Filer, or by an affiliate or associate of the Filer. The Fund invests primarily in the securities of the Reference Fund and/or it may invest some or all of its assets directly in securities similar to those held by the Reference Fund.

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 Exemption Sought is granted, provided that, in respect of each Fund, securityholders of the Fund will be sent a written notice at least 60 days before the effective date of the change to the investment objective of the Fund that sets out the change to the investment objective, the reasons for such change and a statement that the Fund will no longer distribute gains under forward contracts that are treated as capital gains for tax purposes.

"Tom Graham"
Director, Corporate Finance

2.1.4 Franklin Templeton Investments Corp.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – relief from certain specified derivatives and custodial requirements to permit mutual funds to enter into swap transactions that are cleared through a clearing corporation – relief required because of new U.S. requirements to clear over-the-counter derivatives including swaps – decision treats cleared swaps similar to other cleared derivatives – National Instrument 81-102 Mutual Funds.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 2.7(1) and (4), 6.8(1), 19.1.

June 7, 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
FRANKLIN TEMPLETON INVESTMENTS CORP.
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**), pursuant to section 19.1 of National Instrument 81-102 *Mutual Funds* (**NI 81-102**), exempting each Existing FTIC Fund (as defined below) and all current and future mutual funds managed by the Filer that enter into Swaps (as defined below) in the future (each, a **Future FTIC Fund** and, together with the Existing FTIC Funds, each, a **FTIC Fund** and, collectively, the **FTIC Funds**):

(i) from the requirement in subsection 2.7(1) of NI 81-102 that a mutual fund must not purchase an option or a debt-like security or enter into a swap or a forward contract unless, at the time of the transaction, the option, debt-like security, swap or contract has an approved credit rating or the equivalent debt of the counterparty, or of a person or company that has fully and unconditionally guaranteed the obligations of the counterparty in respect of the option, debt-like security, swap or contract, has an approved credit rating;

(ii) from the limitation in subsection 2.7(4) of NI 81-102 that the mark-to-market value of the exposure of a mutual fund under its specified derivatives positions with any one counterparty other than an acceptable clearing corporation or a clearing corporation that settles transactions made on a futures exchange listed in Appendix A to NI 81-102 shall not exceed, for a period of 30 days or more, 10 percent of the net asset value of the mutual fund; and

(iii) from the requirement in subsection 6.1(1) of NI 81-102 to hold all portfolio assets of a mutual fund under the custodianship of one custodian in order to permit each FTIC Fund to deposit cash and portfolio assets directly with a Futures Commission Merchant (as defined below) and indirectly with a Clearing Corporation (as defined below) as margin,

in each case, with respect to cleared Swaps (the **Requested Relief**).

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 each of the other provinces and territories of Canada (the **Other Jurisdictions**).

Interpretation

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

"**CFTC**" means the U.S. Commodity Futures Trading Commission

"**Clearing Corporation**" means any of the Chicago Mercantile Exchange Inc., ICE Clear Credit LLC, LCH.Clearnet Limited and any other clearing organization that is permitted to operate in the Jurisdiction or the Other Jurisdiction, as the case may be, where the FTIC Fund is located

"**Dodd-Frank**" means the Dodd-Frank Wall Street Reform and Consumer Protection Act

"**Existing FTIC Funds**" means any of Templeton Growth Fund, Ltd., Templeton Global Bond Fund, Templeton Canadian Balanced Fund, Mutual Beacon Fund, Bissett Bond Fund, Templeton Global Balanced Fund, Bissett Corporate Bond Fund, Franklin Strategic Income Fund, Franklin High Income Fund, Mutual Global Discovery Fund, Bissett Canadian Short Term Bond Fund, Franklin U.S. Core Equity Fund, Bissett Strategic Income Fund, Bissett Strategic Income Corporate Class and Franklin U.S. Rising Dividends Hedged Corporate Class

"**Franklin**" means the global Franklin Templeton group of companies, including the Filer, Franklin Mutual Advisers, LLC, Templeton Global Advisors Limited, Franklin Advisers, Inc., Franklin Templeton Institutional, LLC and their affiliates

"**Futures Commission Merchant**" means any futures commission merchant that is registered with the CFTC and is a member of a Clearing Corporation

"**OTC**" means over-the-counter

"**Swaps**" means the swaps that are, or will become, subject to a clearing determination issued by the CFTC, including fixed-to-floating interest rate swaps, basis swaps, forward rate agreements in U.S. dollars, the Euro, Pounds Sterling or the Japanese Yen, overnight index swaps in U.S. dollars, the Euro and Pounds Sterling and untranched credit default swaps on certain North American indices (CDX.NA.IG and CDX.NA.HY) and European indices (iTraxx Europe, iTraxx Europe Crossover and iTraxx Europe HiVol) at various tenors

"**U.S. Person**" has the meaning attributed thereto by the CFTC

Representations

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

1. The Filer is, or will be, the investment fund manager of each FTIC Fund. The Filer is registered as an investment fund manager, portfolio manager, mutual fund dealer and exempt market dealer in the Province of Ontario. The Filer is also registered as a portfolio manager, mutual fund dealer and exempt market dealer in all other Canadian provinces and the Yukon Territory and as an investment fund manager in the Provinces of Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia and Québec. The head office of the Filer is in Toronto, Ontario.

2. Either the Filer or one of the Franklin companies, each of which is an affiliate of the Filer, is, or will be, the investment advisor or the sub-advisor to the FTIC Funds.

3. Each FTIC Fund is, or will be, a mutual fund created either under the laws of the Province of Ontario or Alberta or under the laws of Canada and is, or will be, subject to the provisions of NI 81-102.

4. Neither the Filer nor the FTIC Funds are, or will be, in default of securities legislation in any Jurisdiction.

5. The securities of each FTIC Fund are, or will be, qualified for distribution pursuant to a prospectus that was, or will be, prepared and filed in accordance with the securities legislation of the Jurisdictions. Accordingly, each FTIC Fund is, or will be, a reporting issuer or the equivalent in each Jurisdiction.

6. The investment objective and investment strategies of each FTIC Fund permit, or will permit, the FTIC Fund to enter into derivative transactions, including Swaps. Each of the investment advisory teams for the Existing FTIC Funds consider Swaps to be an important investment tool that is available to it to properly manage each FTIC Fund's portfolio.

As at the end of April 2013, the Existing FTIC Funds have entered into foreign exchange swaps, interest rate swaps and credit default swaps on single names and indices that have an aggregate notional value in excess of U.S. $2.16 billion.

7. Dodd-Frank requires that certain OTC derivatives be cleared through a Futures Commission Merchant at a Clearing Corporation. Generally, where one party to a Swap is a U.S. Person and the other party to the Swap is a mutual fund, such as a FTIC Fund, that Swap must be cleared, absent an available exception, beginning on June 10, 2013. With respect to entities such as the FTIC Funds, the compliance date for the clearing of iTraxx CDS indices is July 25, 2013.

8. Currently, the FTIC Funds enter into Swaps on an OTC basis with a number of Canadian, U.S. and other international counterparties. These OTC Swaps are entered into in compliance with the derivative provisions of NI 81-102.

9. In order to benefit from both the pricing benefits and reduced trading costs that Franklin is often able to achieve through its trade execution practices for its managed investments funds and from the reduced costs associated with cleared OTC derivatives as compared to other OTC trades, Franklin wishes to enter into cleared Swaps on behalf of the FTIC Funds by no later than June 10, 2013.

10. In the absence of the Requested Relief, Franklin will need to structure the Swaps entered into by the FTIC Funds on or after June 10, 2013 so as to avoid the clearing requirements of the CFTC. The Filer respectfully submits that this would not be in the best interests of the FTIC Funds and their investors for a number of reasons, as set out below.

11. The Filer strongly believes that it is in the best interests of the FTIC Funds and their investors to continue to execute OTC derivatives with U.S. Persons, including U.S. swap dealers, after June 10, 2013.

12. In its role as a fiduciary for the FTIC Funds, the Filer has determined that central clearing represents the best choice for the investors in the FTIC Funds to mitigate the legal, operational and back office risks faced by investors in the global swap markets.

13. Franklin currently uses the same trade execution practices for all of its managed funds, including the FTIC Funds. An example of these trade execution practices is block trading, where large number of securities are purchased or sold or large derivative trades are entered into on behalf of a number of investment funds advised by Franklin. Beginning no later than June 10, 2013, these practices will include the use of cleared Swaps if such trades are executed with a U.S. swap dealer. If the FTIC Funds are unable to employ these trade execution practices, then Franklin will have to create separate trade execution practices only for the FTIC Funds and will have to execute trades for the FTIC Funds on a separate basis. This will increase the operational risk for the FTIC Funds, as separate execution procedures will need to be established and followed only for the FTIC Funds. In addition, the FTIC Funds will no longer be able to enjoy the possible price benefits and reduction in trading costs that Franklin may be able to achieve through a common practice for its family of investment funds. In Franklin's opinion, best execution and maximum certainty can best be achieved through common trade execution practices, which, in the case of OTC derivatives, involve the execution of Swaps on a cleared basis.

14. As a member of the G20 and a participant in the September 2009 commitment of G20 nations to improve transparency and mitigate risk in derivatives markets, Canada has expressly recognized the systemic benefits that clearing OTC derivatives offers to market participants, such as the FTIC Funds. The Filer respectfully submits that the FTIC Funds should be encouraged to comply with the robust clearing requirements established by the CFTC by granting them the Requested Relief.

15. The Requested Relief is analogous to the treatment currently afforded under NI 81-102 to other types of derivatives that are cleared, such as clearing corporation options, options on futures and standardized futures. This demonstrates that, from a policy perspective, the Requested Relief is consistent with the views of the Canadian securities authorities in respect of cleared derivative trades.

16. For the reasons provided above, the Filer submits that it would not be prejudicial to the public interest to grant the Requested Relief.

Decision

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

The decision of the principal regulator under the Legislation is that the Requested Relief is granted provided that, in respect of the deposit of cash and portfolio assets as margin:

(a) in Canada,

(i) the Futures Commission Merchant is a member of a SRO that is a participating member of CIPF; and

(ii) the amount of margin deposited and maintained with the Futures Commission Merchant does not, when aggregated with the amount of margin already held by the Futures Commission Merchant, exceed 10 percent of the net asset value of the FTIC Fund as at the time of deposit; and

(b) outside of Canada,

(i) the Futures Commission Merchant is a member of a Clearing Corporation and, as a result, is subject to a regulatory audit;

(ii) the Futures Commission Merchant has a net worth, determined from its most recent audited financial statements that have been made public or from other publicly available financial information, in excess of the equivalent of $50 million; and

(iii) the amount of margin deposited and maintained with the Futures Commission Merchant does not, when aggregated with the amount of margin already held by the Futures Commission Merchant, exceed 10 percent of the net asset value of the FTIC Fund as at the time of deposit.

This decision will terminate on the earlier of (i) the coming into force of any revisions to the provisions of NI 81-102 that address the clearing of OTC derivatives, and (ii) two years from the date of this decision.

“Darren McKall”
Manager, Investment Funds Branch
Ontario Securities Commission

2.1.5 Victhom Laboratory 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.

Applicable Legislative Provisions

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

June 20, 2013

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

AND

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

AND

IN THE MATTER OF
VICTHOM LABORATORY 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 Applications 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 is the entity resulting from the acquisition by Ergoresearch Inc. (the **Purchaser** or **Ergo-research**) of all of the outstanding securities of Victhom Human Bionics Inc. (**Victhom**) by way of statutory plan of arrangement under the Canada Business Corporations Act pursuant to which the Purchaser and Victhom were then amalgamated into a single company being the Filer (the **Arrangement**).

2. The Purchaser is a direct wholly-owned subsidiary of Ergoresearch Ltd.

3. The Filer's head office is located at 2101, boul. Le Carrefour, Suite 200, Laval (QC) H7S 2J7.

4. The Arrangement was approved by the shareholders of Victhom on April 23, 2013 and the final order approving the Arrangement was granted by the Superior Court of Québec on April 24, 2013.

5. The closing of the Arrangement occurred on April 26, 2013 (the **Closing Date**).

6. Prior to the Arrangement, Victhom was a reporting issuer under the legislation in each of the Jurisdictions. After the Arrangement, the Filer, as the successor entity to Victhom, became a reporting issuer in each of the Jurisdictions.

7. As of the Closing Date, the number of outstanding common shares of Victhom consisted of 19,297,654 common shares (the **Common Shares**) and 6,479,132 series A preferred shares (the **Series A Shares**).

8. All of the Common Shares were acquired by the Purchaser pursuant to the Arrangement on the Closing Date. All of the previously issued options were cancelled for no consideration.

9. Under the terms of the Arrangement, 81,110 Series A Shares were redeemed by Victhom at a price of US$0.66 per share for an aggregate amount of US$53,532.60, this amount represents the required redemption proceeds to be paid to the holders of Series A Shares as per the articles of Victhom for the period ended December 31, 2012, further to the receipt of royalty payments for the year 2012. All remaining Series A Preferred Shares were acquired by the Purchaser pursuant to the Arrangement on the Closing Date.

10. The Common Shares (VHB) were delisted from the TSX Venture Exchange at close of business on April 29, 2013.

11. Ergoresearch Ltd. is now the sole shareholder of the Filer.

12. 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.

13. 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.

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 ceased to be a reporting issuer in British Columbia on May 31, 2013.

16. The Filer is not in default of any of its obligations under the Legislation as a reporting issuer, except for the obligation to file (i) its annual financial statements and related management's discussion and analysis for the year ended December 31, 2012, as required under National Instrument 51-102 – *Continuous Disclosure Obligations* (NI 51-102) and the related certification of such documents as required under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109) which were due on April 30, 2013; (ii) its interim financial statements and related management's discussion and analysis for the period ended March 31, 2013, as required under NI 51-102 and the related certification of such documents as required under NI 52-109 which were due on May 30, 2013.

17. 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 obligations under the Legislation as a reporting issuer.

18. The Filer is applying for a decision that it is not a reporting issuer is revoked in all of the Jurisdictions in Canada in which it is currently a reporting issuer.

19. Upon the granting of the Exemptive Relief Sought, the Filer will no longer be a reporting issuer or the equivalent in any jurisdiction of 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.

Josée Deslauriers
Senior Manager of Continuous Disclosure and Investment Funds
Autorité des marchés financiers

2.2 Orders

2.2.1 Knowledge First Financial Inc.

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

AND

IN THE MATTER OF
KNOWLEDGE FIRST FINANCIAL INC.

ORDER

WHEREAS on August 10, 2012, the Ontario Securities Commission (the "Commission") ordered pursuant to subsections 127(1) and (5) of the *Securities Act,* R.S.O. 1990, c. S.5 as amended (the "Act") and with the consent of Knowledge First Financial Inc. ("KFFI") that the terms and conditions set out in Schedule "A" to the Commission orders (the "Terms and Conditions") be imposed on KFFI (the "Temporary Order");

AND WHEREAS on August 21, 2012, the Commission extended the Temporary Order against KFFI until November 14, 2012;

AND WHEREAS the Terms and Conditions required KFFI to retain a consultant (the "Consultant") to prepare and assist KFFI in implementing plans to strengthen their compliance systems and to retain a monitor (the "Monitor") to review all applications of New Clients and contact New Clients as defined and set out in the Terms and Conditions;

AND WHEREAS KFFI retained Deloitte & Touche LLP as its Monitor and retained Sanford Eprile & Company as its Consultant;

AND WHEREAS on September 24, 2012, KFFI brought an application for directions seeking interpretations of paragraphs 5 and 6 of the Terms and Conditions;

AND WHEREAS by order dated October 10, 2012, the Commission clarified the process to be followed by the Monitor including the suitability guidelines to be applied, set out the content of the Monitor's bi-weekly reports and extended the time for the Monitor to complete calls to New Clients and, in appropriate cases, to unwind New Clients' plans;

AND WHEREAS by order dated December 20, 2012, the Commission: (i) deleted and replaced paragraph 5 of the Terms and Conditions with paragraphs 5.1 and 5.2 which set out the sample of New Client applications to be reviewed by the Monitor and the sample of New Clients to be contacted by the Monitor; and (ii) extended the Temporary Order to March 22, 2013;

AND WHEREAS by order dated March 21, 2013, the Commission ordered: (i) the role of the Monitor be suspended effective April 5, 2013; (ii) the Temporary Order be extended to June 20, 2013; and (iv) the hearing is adjourned to June 19, 2013 at 11:00 a.m.;

AND WHEREAS the parties agree that: (i) the Temporary Order be extended to June 25, 2013; (ii) the hearing be adjourned to June 21, 2013 at 2:00 p.m.; and (iii) the hearing date of June 19, 2013 at 11:00 a.m. be vacated;

AND WHEREAS the Commission considers that it is in the public interest to make this Order;

I**T IS HEREBY ORDERED** pursuant to section 127 of the Act that:

1. The Temporary Order is extended to June 25, 2013;

2. The hearing is adjourned to June 21, 2013 at 2:00 p.m.; and

3. The hearing date of June 19, 2013 at 11:00 a.m. is vacated.

DATED at Toronto this 18th day of June, 2013.

"James E. A. Turner"

2.2.2 Vincent Ciccone and Cabo Catoche Corp. (a.k.a. Medra Corp. and Medra Corporation) – 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
VINCENT CICCONE AND CABO CATOCHE CORP.
(A.K.A. MEDRA CORP. AND MEDRA CORPORATION)

ORDER
(Sections 127 and 127.1)

WHEREAS on October 3, 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 connection with a Statement of Allegations filed by Staff of the Commission ("Staff") on September 30, 2011, with respect to Vincent Ciccone ("Ciccone") and Medra Corp.;

AND WHEREAS on May 3, 2012, the Commission issued an Amended Notice of Hearing in connection with an Amended Statement of Allegations filed by Staff on May 2, 2012, to amend the title of proceedings by replacing the name "Medra Corp." with "Cabo Catoche Corp. (a.k.a Medra Corp. and Medra Corporation)" (collectively, "Medra");

AND WHEREAS on September 7, 2012, the Commission approved a Settlement Agreement between Staff and Ciccone;

AND WHEREAS a hearing on the merits in this matter was held before the Commission on September 5, 7, 13, and 20, 2012, October 9 and 19, 2012, November 8 and 29, 2012, December 19, 2013 and April 2, 2013 with respect to Medra;

AND WHEREAS following the hearing on the merits, the Commission issued its Reasons and Decision with respect to the merits on June 18, 2013;

IT IS ORDERED that:

1. Staff shall file and serve written submissions on sanctions and costs by July 2, 2013;

2. Medra shall file and serve written submissions on sanctions and costs by July 10, 2013;

3. Staff shall file and serve written reply submissions on sanctions and costs by July 12, 2013; and

4. the hearing to determine sanctions and costs will be held at the offices of the Commission at 20 Queen Street West, Toronto, commencing on July 18, 2013 at 11:00 a.m.;

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

DATED at Toronto this 18th day of June, 2013.

"Vern Krishna", C.M., Q.C.

2.2.3 SSgA Funds Management, Inc. – s. 80 of the CFA

Headnote

Section 80 of the Commodity Futures Act (Ontario) – Foreign adviser exempted from the adviser registration requirement in section 22(1)(b) of the CFA where such adviser acts as an adviser in respect of commodity futures contracts or commodity futures options (commodities) for certain individual and institutional investors in Ontario who meet the definition of "permitted client" in NI 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations – Commodities are primarily traded on commodity futures exchanges outside of Canada and primarily cleared outside of Canada.

Terms and conditions on exemption correspond to the relevant terms and conditions on the comparable exemption from the adviser registration requirement available to international advisers in respect of securities set out in section 8.26 of NI 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations – Exemption also subject to a "sunset clause" condition.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am.
Commodity Futures Act, R.S.O. 1990, c. C.20. as am., ss. 1(1), 22(1)(b), 80.

Instruments Cited

National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, ss. 1.1, 8.26.

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, CHAPTER C.20, AS AMENDED
(the CFA)

AND

IN THE MATTER OF
SSgA FUNDS MANAGEMENT, INC.

ORDER
(Section 80 of the CFA)

UPON the application (the **Application**) of SSgA Funds Management, Inc. (the **Filer**) to the Ontario Securities Commission (the Commission) for an order pursuant to section 80 of the CFA that the Filer and any individuals engaging, in or holding themselves out as engaging in, the business of advising others on the Filer's behalf (the **Representatives**) be exempt, for a period of five years, from the adviser registration requirements in paragraph 22(1)(b) of the CFA, subject to certain terms and conditions;

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

AND WHEREAS for the purposes of this Order;

CFA Adviser Registration Requirement means the requirement in the CFA that prohibits a person or company from acting as an adviser unless the person or company is registered in the appropriate category of registration under the CFA;

CFTC means the United States Commodity Futures Trading Commission;

Contract has the meaning ascribed to that term in subsection 1(1) of the CFA;

International Adviser Exemption means the exemption set out in section 8.26 of NI 31-103 from the OSA Adviser Registration Requirement;

NI 31-103 means National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligation*s, as amended;

OSA means the *Securities Act* (Ontario), as amended;

"OSA Adviser Registration Requirement" means the requirement in the OSA that prohibits a person or company from acting as an adviser unless the person or company is registered in the appropriate category of registration under the OSA;

Permitted Client means a client in Ontario that is a "permitted client", as that term is defined in section 1.1. of NI 31-103, except that for purposes of the Order such definition shall exclude a person or company registered under the securities or commodities legislation of a jurisdiction of Canada as an adviser or dealer;

SEC means the United States Securities and Exchange Commission;

"specified affiliate" has the meaning ascribed to that term in Form 33-109F6 to National Instrument 33-109 *Registration Information*; and

U.S. Advisers Act means the *United States Investment Advisers Act of 1940.*

AND UPON the Filer having represented to the Commission that

1. The Filer is a Massachusetts corporation with its head office in Boston, Massachusetts, U.S.A.; the Filer is a wholly owned subsidiary of State Street Corporation.

2. The Filer is registered as an Investment Adviser under the U.S Advisers Act and with the CFTC as a Commodity Trading Adviser and provides trading advice services in respect of futures, options on futures and swaps to its clients generally traded on a U.S. Exchange and/or with a U.S. counterparty to certain of its clients.

3. The Filer is not registered in any capacity under the CFA.

4. State Street Global Advisors, Ltd. (**SSGA**) is a corporation incorporated under the federal laws of Canada with its head office located in Montreal, Quebec. SSGA is a wholly owned subsidiary of State Street Corporation.

5. SSGA is registered as an adviser under the OSA, and as a portfolio manager and exempt market dealer in all provinces and territories of Canada. SSGA is also registered as an investment fund manager in Quebec, Ontario and Newfoundland, and as a commodity trading counsel and manager under the CFA and as an adviser under the *Commodity Futures Act* (Manitoba).

6. SSGA enters into investment management agreements with clients and also is the manager of the SSGA pooled funds, which are used for both managed accounts and accredited investors.

7. State Street Bank and Trust Company (**SSBTC**), an affiliate of the Filer, is a bank regulated in the conduct of its investment advisory business by the U.S. Federal Reserve Board and the Commonwealth of Massachusetts Commissioner of Banks and is a bank within the meaning of the U.S. Advisers Act. As such, it is not subject to the U.S. Advisers Act as the definition of an 'Investment Adviser" under that Act, excludes "a bank, or any bank holding company as defined in the Bank Holding Act of 1956". Its head office is in Boston, Massachusetts, U.S.A.

8. SSBTC historically provided asset management services to certain institutional clients in both the U.S. and abroad. Following passage into law on July 2010 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, a decision was made to register the Filer as a commodity trading adviser with the U.S. Commodity Futures Trading Commission and delegate all advice regarding futures, options on futures and swaps (as defined in the United States) from SSBTC to the Filer. The personnel providing the advice did not change as a result of the regulatory administrative decision to register the Filer and delegate the advice. The personnel at SSBTC who provide advice relating to securities are the same as those at the Filer who provide commodity trading advisory services.

9. SSBTC offers its advisory services to clients in a broad array of fixed income, equity and other investment strategies.

10. Certain SSBTC clients may desire commodity trading advice in connection with their overall strategy. To that end, SSBTC delegates to the Filer all discretionary commodity trading advice, with all ancillary permissions and authorities necessary for the Filer to carry out such activities.

11. SSBTC is not registered in Canada as an adviser with any securities regulatory authority. In all provinces, SSBTC can only provide advice to Permitted Clients in respect of foreign securities in reliance on the International Adviser Exemption, except in Ontario it is also permitted to provide advice through its Canadian branch to Ontario clients, in which case it can rely on the section 35.1 of the Securities Act (Ontario) exemption from registration as an adviser available for Schedule III banks, although it has no current intention to do so.

12. In addition to SSBTC providing advice in respect of securities, the Filer proposes to act as an adviser to Permitted Clients in Ontario in respect of commodity futures contracts and/or commodity futures options traded primarily on one or more organized exchanges located outside of Canada and primarily cleared through one or more clearing corporations that are located outside of Canada (collectively, the Foreign Contracts) in connection principally with respect to foreign futures, and options on futures. It will provide its advice on a fully discretionary basis.

13. There is currently no exemption from the CFA Adviser Registration Requirement that is equivalent to the International Adviser Exemption. Consequently, in order to advise Permitted Clients as to trading in Foreign Contracts, in the absence of this Order, the Filer would be required to satisfy the CFA Adviser Registration Requirement and would have to apply for, and obtain, registration in Ontario as an adviser under the CFA in the category of commodity trading manager.

14. To the best of the Filer's knowledge, the Filer confirms that there are currently no regulatory actions of the type contemplated by the Notice of Regulatory Action attached as Appendix "B", except as otherwise disclosed to the Commission, in respect of the Filer or any predecessors or specified affiliates of the Filer.

AND UPON being satisfied that it would not be prejudicial to the public interest for the Commission to grant the exemption requested on the basis of the terms and conditions proposed,

IT IS ORDERED pursuant to section 80 of the CFA that the Filer and its Representatives are exempt, for a period of five years, from the adviser registration requirements of paragraph 22(1)(b) of the CFA in respect of providing advice to Permitted Clients as to the trading of Foreign Contracts provided that:

(a) the Filer provides advice to Permitted Clients only as to trading in Foreign Contracts and does not advise any Permitted Client as to trading in Contracts that are not Foreign Contracts, unless providing such advice is incidental to its providing advice on Foreign Contracts;

(b) the Filer's head office or principal place of business remains in the United States;

(c) the Filer is registered or operates under an exemption from registration, under the applicable securities or commodity futures legislation in the United States in a category of registration that permits it to carry on the activities in the United States that registration as an adviser in the category of commodity trading manager would permit it to carry on in Ontario;

(d) the Filer continues to engage in the business of an adviser, as defined in the CFA, in the United States;

(e) as at the end of the Filer's most recently completed financial year, not more than 10% of the aggregate consolidated gross revenue of the Filer, its affiliates and its affiliated partnerships is derived from the portfolio management activities of the Filer, its affiliates and its affiliated partnerships in Canada (which, for greater certainty, includes both securities-related and commodity future-related activities);

(f) before advising a Permitted Client with respect to Foreign Contracts, the Filer notifies the Permitted Client of all of the following:

(i) the Filer is not registered in the local jurisdiction to provide the advice described under paragraph (a) of this Order;

(ii) the foreign jurisdiction in which the Filer's head office or principal place of business is located;

(iii) all or substantially all of the Filer's assets may be situated outside of Canada;

(iv) there may be difficulty enforcing legal rights against the Filer because of the above;

(v) the name and address of the Filer's agent for service of process in Ontario;

(g) the Filer has submitted to the Commission a completed Submission to jurisdiction and appointment of agent for service in the form attached as Appendix "A";

(h) the Filer notifies the Commission of any regulatory action initiated after the date of this Order with respect to the Filer or any predecessors or specified affiliates of the Filer, by completing and filing Appendix "B" within 10 days of the commencement of such action, provided that this condition shall not be required to be satisfied for so long as SSGA remains a registered firm in good standing under Ontario securities laws;

(i) by December 1 of each year, the Filer notifies the Commission if it is relying on the exemption from registration granted pursuant to this order; and

(j) the Filer complies with the filing and fee payment requirements applicable to an unregistered exempt international firm under Ontario Securities Commission Rule 13-502 Fees.

Dated this 18th of June, 2013.

"Vern Krishna"
Commissioner

"James D. Carnwath"
Commissioner

APPENDIX "A"

**SUBMISSION TO JURISDICTION AND
APPOINTMENT OF AGENT FOR SERVICE
INTERNATIONAL DEALER OR INTERNATIONAL ADVISER EXEMPTED
FROM REGISTRATION UNDER THE COMMODITY FUTURES ACT, ONTARIO**

1. Name of person or company ("International Firm"):

2. If the International Firm was previously assigned an NRD number as a registered firm or an unregistered exempt international firm, provide the NRD number of the firm:

3. Jurisdiction of incorporation of the International Firm:

4. Head office address of the International Firm:

5. The name, e-mail address, phone number and fax number of the International Firm's individual(s) responsible for the supervisory procedure of the International Firm, its chief compliance officer, or equivalent.

   Name:

   E-mail address:

   Phone:

   Fax:

6. The International Firm is relying on an exemption order under section 38 or section 80 of the *Commodity Futures Act* (Ontario) that is similar to the following exemption in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (the "Relief Order"):

   [ ] Section 8.18 [international dealer]

   [ ] Section 8.26 [international adviser]

   [ ] Other [specify]:

7. Name of agent for service of process (the "Agent for Service"):

8. Address for service of process on the Agent for Service:

9. The International Firm designates and appoints the Agent for Service at the address stated above as its agent upon whom may be served a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal or other proceeding (a "Proceeding") arising out of or relating to or concerning the International Firm's activities in the local jurisdiction and irrevocably waives any right to raise as a defence in any such proceeding any alleged lack of jurisdiction to bring such Proceeding.

10. The International Firm irrevocably and unconditionally submits to the non-exclusive jurisdiction of the judicial, quasi-judicial and administrative tribunals of the local jurisdiction in any Proceeding arising out of or related to or concerning the International Firm's activities in the local jurisdiction.

11. Until 6 years after the International Firm ceases to rely on the Relief Order, the International Firm must submit to the regulator

    a. a new Submission to Jurisdiction and Appointment of Agent for Service in this form no later than the 30th day before the date this Submission to Jurisdiction and Appointment of Agent for Service is terminated; and

    b. an amended Submission to Jurisdiction and Appointment of Agent for Service no later than the 30th day before any change in the name or above address of the Agent for Service.

12. This Submission to Jurisdiction and Appointment of Agent for Service is governed by and construed in accordance with the laws of the local jurisdiction.

Dated: _____

_____
(Signature of the International Firm or authorized signatory)

_____
(Name of signatory)

_____
(Title of signatory)

Acceptance

The undersigned accepts the appointment as Agent for Service of _____ [Insert name of International Firm] under the terms and conditions of the foregoing Submission to Jurisdiction and Appointment of Agent for Service.

Dated: _____

_____
(Signature of the Agent for Service or authorized signatory)

_____
(Name of signatory)

_____
(Title of signatory)

This form is to be submitted to the following address:

Ontario Securities Commission
20 Queen Street West, 22nd Floor,
Toronto, ON M5H 3S8
Attention: Senior Registration Supervisor, Portfolio Manager Team
Telephone: (416) 593-8164
email: amcbain@osc.gov.on.ca

APPENDIX B

NOTICE OF REGULATORY ACTION

1. Has the firm, or any predecessors or specified affiliates{1} of the firm entered into a settlement agreement with any financial services regulator, securities or derivatives exchange, SRO or similar agreement with any financial services regulator, securities or derivatives exchange, SRO or similar organization?

   Yes _____ No _____

   If yes, provide the following information for each settlement agreement:

   Yes _____ No _____

   If yes, provide the following information for each settlement agreement:

   Name of entity

   Regulator/organization

   Date of settlement (yyyy/mm/dd)

   Details of settlement

   Jurisdiction

2. Has any financial services regulator, securities or derivatives exchange, SRO or similar organization:

	Yes	No
(a) Determined that the firm, or any predecessors or specified affiliates of the firm violated any securities regulations or any rules of a securities or derivatives exchange, SRO or similar organization?	_____	_____
(b) Determined that the firm, or any predecessors or specified affiliates of the firm made a false statement or omission?	_____	_____
(c) Issued a warning or requested an undertaking by the firm, or any predecessors or specified affiliates of the firm?	_____	_____
(d) Suspended or terminated any registration, licensing or membership of the firm, or any predecessors or specified affiliates of the firm?	_____	_____
(e) Imposed terms or conditions on any registration or membership of thefirm, or predecessors or specified affiliates of the firm?	_____	_____
(f) Conducted a proceeding or investigation involving the firm, or anypredecessors or specified affiliates of the firm?	_____	_____
(g) Issued an order (other than en exemption order) or a sanction to the firm,or any predecessors or specified affiliates of the firm for securities or derivatives-related activity (e.g. cease trade order)?	_____	_____

If yes, provide the following information for each action:

Name of Entity

Type of Action

Regulator/organization

Date of action (yyyy/mm/dd) Reason for action

Jurisdiction

3. Is the firm aware of any ongoing investigation of which the firm or any of its specified affiliate is the subject?

Yes _____ No _____

If yes, provide the following information for each investigation:

Name of entity

Reason or purpose of investigation

Regulator/organization

Date investigation commenced (yyyy/mm/dd)

Jurisdiction

Name of firm

Name of firm's authorized signing officer or partner

Title of firm's authorized signing officer or partner

Signature

Date (yyyy/mm/dd)

Witness

The witness must be a lawyer, notary public or commissioner of oaths.

Name of witness

Title of witness

Signature

Date (yyyy/mm/dd)

This form is to be submitted to the following address:

Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON M5H 3S8
Attention: Senior Registration Supervisor, Portfolio Manager Team
Telephone: (416) 593-8164
email: amcbain@osc.gov.on.ca

[1] In this Appendix, the term "specified affiliate" has the meaning ascribed to that term in Form 33-109F6 to National Instrument 33-109 *Registration Information.*

2.2.4 Blackwood & Rose Inc. et al. – ss. 127(7) and 127(8)

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

AND

IN THE MATTER OF
BLACKWOOD & ROSE INC., STEVEN ZETCHUS and JUSTIN KRELLER (also known as JUSTIN KAY)

TEMPORARY ORDER
Subsections 127(7) and 127(8)

WHEREAS on January 29, 2013, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 37, 127 and 127.1 of the *Securities Act,* R.S.O. 1990 c. S.5 as amended (the "Act") accompanied by a Statement of Allegations of Staff of the Commission dated January 29, 2013 with respect to Blackwood & Rose Inc. ("Blackwood"), Steven Zetchus ("Zetchus") and Justin Kreller ("Kreller") (collectively, the "Respondents");

AND WHEREAS the Notice of Hearing stated that a hearing would be held at the temporary offices of the Commission on February 19, 2013;

AND WHEREAS on February 19, 2013, Staff attended the hearing and no one appeared on behalf of the Respondents;

AND WHEREAS Staff filed the Affidavit of Peaches Barnaby sworn February 14, 2013 demonstrating service of the Notice of Hearing and Statement of Allegations on the Respondents;

AND WHEREAS the Commission previously made a temporary order in connection with this proceeding on December 18, 2012 (the "Temporary Order");

AND WHEREAS on December 31, 2012, the Commission extended the Temporary Order to March 7, 2013 and adjourned the hearing to consider a further extension to March 6, 2013 at 10:00 a.m.;

AND WHEREAS on February 19, 2013, Staff requested that a pre-hearing conference be scheduled in this matter and that the Temporary Order be extended to the day following the pre-hearing conference to permit the parties to make submissions on a further extension of the Temporary Order at the pre-hearing conference;

AND WHEREAS on February 19, 2013, the Commission ordered that:

(i) the Temporary Order be extended to April 11, 2013 or until further order of the Commission;

(ii) the hearing date scheduled for March 6, 2013 to consider a further extension of the Temporary Order be vacated; and

(iii) the hearing be adjourned to April 10, 2013 at 10:00 a.m. for the purpose of conducting a pre-hearing conference and to consider a further extension of the Temporary Order;

AND WHEREAS on April 10, 2013, Staff attended the hearing and no one appeared on behalf of the Respondents;

AND WHEREAS Staff filed the Affidavit of Peaches Barnaby sworn April 9, 2013 demonstrating, *inter alia,* service of the Commission's order dated February 19, 2013 on the Respondents;

AND WHEREAS a confidential pre-hearing conference was held;

AND WHEREAS following the confidential pre-hearing conference, the hearing resumed and Staff requested (i) that the hearing be adjourned to a status hearing in May 2013; and (ii) that the Temporary Order be extended to the day following the status hearing to permit the parties to make submissions on a further extension of the Temporary Order at the status hearing;

AND WHEREAS the Commission ordered that the Temporary Order be extended to May 21, 2013 and that the hearing be adjourned to May 17, 2013 at 10:00 a.m. for the purpose of conducting a status hearing and to consider a further extension of the Temporary Order;

AND WHEREAS on May 17, 2013, Staff attended the hearing and no one appeared on behalf of the Respondents;

AND WHEREAS Staff filed the Affidavit of Peaches Barnaby sworn May 16, 2013 demonstrating service of the Commission's order dated April 10, 2013 on the Respondents;

AND WHEREAS Staff requested that the status hearing be converted into a confidential pre-hearing conference;

AND WHEREAS a confidential pre-hearing conference was held and Staff made submissions;

AND WHEREAS following the confidential pre-hearing conference, the hearing resumed and Staff requested (i) that the hearing be adjourned to a further confidential pre-hearing conference; and (ii) that the Temporary Order be extended to a date following the pre-hearing conference to permit the parties to make submissions on a further extension of the Temporary Order at the pre-hearing conference;

AND WHEREAS the Commission ordered that (i) the Temporary Order be extended to June 20, 2013 or until

further order of the Commission; (ii) the hearing be adjourned to June 18, 2013 at 3:30 p.m. for the purpose of conducting a confidential pre-hearing conference and to consider a further extension of the Temporary Order;

AND WHEREAS on June 18, 2013, Staff attended the hearing and no one appeared on behalf of the Respondents;

AND WHEREAS Staff filed the Affidavit of Peaches Barnaby sworn June 17, 2013 demonstrating service of the Commission's order dated May 17, 2013 on the Respondents;

AND WHEREAS a confidential pre-hearing conference was held and Staff made submissions;

AND WHEREAS following the confidential pre-hearing conference, the hearing resumed and Staff requested (i) that the hearing be adjourned to a status hearing; and (ii) that the Temporary Order be extended to a date following the status hearing to permit the parties to make submissions on a further extension of the Temporary Order at the status 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:

(i) the Temporary Order is extended to August 14, 2013 or until further order of the Commission; and

(ii) the hearing is adjourned to August 12, 2013 at 2:00 p.m., or to such other date or time as provided by the Office of the Secretary and agreed to by the parties, for the purpose of conducting a status hearing and to consider a further extension of the Temporary Order.

DATED at Toronto this 18th day of June, 2013.

"Edward P. Kerwin"

2.2.5 Energy Syndications Inc. et al. – ss. 127 and 127.1

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

and

IN THE MATTER OF
ENERGY SYNDICATIONS INC.,
GREEN SYNDICATIONS INC.,
SYNDICATIONS CANADA INC.,
DANIEL STRUMOS, MICHAEL BAUM
and DOUGLAS WILLIAM CHADDOCK

ORDER
(Sections 127 and 127.1 of the Securities Act)

WHEREAS on March 30, 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 relation to a Statement of Allegations filed by Staff of the Commission ("**Staff**") on March 30, 2012 in respect of Energy Syndications Inc. ("**Energy**"), Green Syndications Inc. ("Green"), Syndications Canada Inc. ("**Syndications**"), Daniel Strumos, ("**Strumos**"), Michael Baum ("**Baum**"), and Douglas William Chaddock ("**Chaddock**") (collectively, the "**Respondents**");

AND WHEREAS the Commission conducted a hearing on the merits with respect to the allegations against the Respondents on May 15, 16, 17, 22, 23 and 29, 2013 (the "**Merits Hearing**");

AND WHEREAS on June 20, 2013, the Commission issued its reasons and decision on the merits in this matter (the "Merits Decision");

IT IS ORDERED THAT:

1. Staff shall file and serve written submissions on sanctions and costs by July 10, 2013;

2. the Respondents shall file and serve written submissions on sanctions and costs by July 31, 2013;

3. Staff shall file and serve written reply submissions on sanctions and costs by August 14, 2013;

4. the hearing to determine sanctions and costs will be held at the offices of the Commission at 20 Queen Street West, 17th floor, Toronto, on September 4, 2013, at 10:00 a.m., or such further or other dates as agreed by the parties and set by the Office of the Secretary; and

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

DATED at Toronto this 20th day of June, 2013.

"Alan J. Lenczner", QC

2.2.6 Knowledge First Financial Inc.

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

AND

IN THE MATTER OF
KNOWLEDGE FIRST FINANCIAL INC.

ORDER

WHEREAS on August 10, 2012, the Ontario Securities Commission (the "Commission") ordered pursuant to subsections 127(1) and (5) of the *Securities Act*, R.S.O. 1990, c. S.5 as amended (the "Act") and with the consent of Knowledge First Financial Inc. ("KFFI") that the terms and conditions set out in Schedule "A" to the Commission orders (the "Terms and Conditions") be imposed on KFFI (the "Temporary Order");

AND WHEREAS on August 21, 2012, the Commission extended the Temporary Order against KFFI until November 14, 2012;

AND WHEREAS the Terms and Conditions required KFFI to retain a consultant (the "Consultant") to prepare and assist KFFI in implementing plans to strengthen their compliance systems and to retain a monitor (the "Monitor") to review all applications of New Clients and contact New Clients as defined and set out in the Terms and Conditions;

AND WHEREAS KFFI retained Deloitte & Touche LLP as its Monitor and retained Sanford Eprile & Company as its Consultant;

AND WHEREAS on September 24, 2012, KFFI brought an application for directions seeking interpretations of paragraphs 5 and 6 of the Terms and Conditions;

AND WHEREAS by Order dated October 10, 2012, the Commission clarified the process to be followed by the Monitor including the suitability guidelines to be applied, set out the content of the Monitor's bi-weekly reports and extended the time for the Monitor to complete calls to New Clients and, in appropriate cases, to unwind New Clients' plans;

AND WHEREAS by Order dated December 20, 2012, the Commission: (i) deleted and replaced paragraph 5 of the Terms and Conditions with paragraphs 5.1 and 5.2 which set out the sample of New Client applications to be reviewed by the Monitor and the sample of New Clients to be contacted by the Monitor; and (ii) extended the Temporary Order to March 22, 2013;

AND WHEREAS by Order dated March 21, 2013, the Commission ordered: (i) the role of the Monitor suspended effective April 5, 2013; (ii) the Temporary Order be extended to June 20, 2013; and (iv) the hearing be adjourned to June 19, 2013 at 10:00 a.m.;

AND WHEREAS the Monitor has filed its last Monitor report with the OSC Manager as required by the Terms and Conditions on April 6, 2013;

AND WHEREAS the Consultant has filed with the OSC Manager as required by the Terms and Conditions: (i) the Consultant's Plan dated October 10, 2012; (ii) an amended Consultant's Plan dated November 16, 2012; and (iii) eight Progress Reports;

AND WHEREAS by Order dated June 18, 2013, the Commission ordered: (i) the Temporary Order be extended to June 25, 2013; (ii) the hearing be adjourned to June 21, 2013 at 2:00 p.m.; and (iii) the hearing date of June 19, 2013 be vacated;

AND WHEREAS Staff has filed an Affidavit of Lina Creta sworn June 20, 2013 attaching the Monitor Reports dated March 23 and April 6, 2013, the Progress Reports dated April 10, May 10 and June 10, 2013 and a letter from the Consultant stating that the Consultant does not object to the suspension of the condition in paragraph 12 of the Terms and Conditions;

AND WHEREAS the parties agree that paragraphs 4, 5, 6, 7, 8, 9, 10, 11 and 12 of the Terms and Conditions should be deleted and replaced with paragraphs 11.1 and 12.1 set out in this Order;

AND WHEREAS the parties agree that: (i) the Temporary Order be extended to October 24, 2013; and (ii) the hearing be adjourned to October 22, 2013;

AND WHEREAS the Commission considers that it is in the public interest to make this Order;

IT IS HEREBY ORDERED pursuant to section 127 of the Act that:

1. Paragraphs 4, 5, 6, 7, 8, 9 and 10 of the Terms and Conditions are deleted.

2. Paragraph 11 of the Terms and Conditions is deleted and replaced with:

   "11.1 The Consultant shall submit Progress Reports on a bimonthly basis, with the next such report to be submitted no later than August 10, 2013, until the Plan has been fully implemented."

3. Paragraph 12 of the Terms of Conditions is deleted and replaced with:

   "12.1 KFFI is prohibited from opening any new branch locations unless the Consultant has provided a letter in writing to the OSC Manager, in respect of each proposed new branch location, confirming that the new branch location has a suitable branch manager and that KFFI has sufficient compliance resources to oversee the proposed new branch location."

4. The Temporary Order is extended to October 24, 2013.

5. The hearing is adjourned to October 22, 2013 at 3:00 p.m.

DATED at Toronto this 21st day of June, 2013.

"James E. A. Turner"

2.2.7 Heritage Management Group and Anna Hrynisak – ss. 37 and 127(1)

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

AND

IN THE MATTER OF
HERITAGE MANAGEMENT GROUP
and ANNA HRYNISAK

AND

IN THE MATTER OF
A SETTLEMENT AGREEMENT BETWEEN STAFF OF
THE ONTARIO SECURITIES COMMISSION
AND HERITAGE MANAGEMENT GROUP
AND ANNA HRYNISAK

ORDER
(Sections 37 and 127(1) of the Securities Act)

WHEREAS by Notice of Hearing dated March 27, 2013, the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing, commencing on April 17, 2013, pursuant to sections 37, 127, and 127.1 of the *Securities Act,* R.S.O. 1990, c. S.5, as amended (the "Act"), to consider whether it is in the public interest to make orders, as specified therein, against Heritage Management Group ("Heritage") and Anna Hrynisak ("Hrynisak") (collectively, the "Respondents"). The Notice of Hearing was issued in connection with the allegations as set out in the Statement of Allegations of Staff of the Commission ("Staff') dated March 27, 2013;

AND WHEREAS the Respondents entered into a settlement agreement with Staff dated June 21, 2013 (the "Settlement Agreement") in which the Respondents agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing dated March 27, 2013, subject to the approval of the Commission;

WHEREAS on June 19, 2013, the Commission issued a Notice of Hearing pursuant to sections 37 and 127 of the Act to announce that it proposed to hold a hearing to consider whether it is in the public interest to approve the Settlement Agreement;

AND UPON reviewing the Settlement Agreement, the Notice of Hearing, and the Statements of Allegations of Staff, and upon hearing submissions from the Respondents and from Staff;

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

IT IS HEREBY ORDERED THAT:

(a) the Settlement Agreement is approved;

(b) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by the Respondents cease permanently from the date of this Order;

(c) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by the Respondents is prohibited permanently from the date of this Order;

(d) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to the Respondents permanently from the date of this Order;

(e) pursuant to clause 6 of subsection 127(1) of the Act, Hrynisak is reprimanded;

(f) pursuant to clauses 8, 8.2, and 8.4 of subsection 127(1) of the Act, Hrynisak is prohibited permanently from the date of this Order from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;

(g) pursuant to clause 8.5 of subsection 127(1) of the Act, Hrynisak is prohibited permanently from the date of this Order from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(h) pursuant to clause 9 of subsection 127(1) of the Act, Hrynisak shall pay an administrative penalty in the amount of $35,000 for her failure to comply with Ontario securities law. The administrative penalty in the amount of $35,000 shall be designated for allocation to or for the benefit of third parties or for use by the Commission in accordance with subsection 3.4(2)(b) of the Act;

(i) pursuant to subsection 37(1) of the Act, Hrynisak is prohibited permanently, from the date of this Order, from telephoning from within Ontario to any residence within or outside Ontario for the purpose of trading in any security or any class of securities; and

(j) Notwithstanding the provisions of this Order, once Hrynisak has fully satisfied the terms of sub-paragraph (h) above, Hrynisak shall be permitted to trade for her own account, solely through a registered dealer or, as appropriate, a registered dealer in a foreign jurisdiction (which dealer must be given a copy of this Order) in (a) any "exchange-traded security" or "foreign exchange-traded

security" within the meaning of National Instrument 21-101 provided that she does not own beneficially or exercise control or direction over more than 5 percent of the voting or equity securities of the issuer(s) of any such securities; or (b) any security issued by a mutual fund that is a reporting issuer.

DATED at Toronto this 24th day of June, 2013.

"Alan J. Lenczner"

2.2.8 Portfolio Capital Inc et al. – ss. 127 and 127.1

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

AND -

IN THE MATTER OF
PORTFOLIO CAPITAL INC., DAVID ROGERSON
and AMY HANNA-ROGERSON

ORDER
(Sections 127 and 127.1 of the Securities Act)

WHEREAS on March 25, 2013, the Ontario Securities Commission ("the Commission") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act,* R.S.O. 1990, c. S.5, as amended (the "Act") in connection with a Statement of Allegations filed by Staff of the Commission ("Staff") on March 25, 2013 with respect to Portfolio Capital Inc. ("Portfolio Capital"), David Rogerson ("Rogerson") and Amy Hanna-Rogerson ("Hanna-Rogerson") (collectively, the "Respondents");

AND WHEREAS the Notice of Hearing set a hearing in this matter for April 17, 2013;

AND WHEREAS on April 17, 2013, Staff and counsel to Rogerson appeared before the Commission and no one appeared on behalf of Hanna-Rogerson or Portfolio Capital;

AND WHEREAS on April 17, 2013, the Commission ordered that a pre-hearing conference take place on May 27, 2013 at 9:00 a.m.;

AND WHEREAS on May 27, 2013, Staff and counsel to the Respondents appeared and made submissions before the Commission;

AND WHEREAS on May 27, 2013, the Commission ordered that a pre-hearing conference take place on June 24, 2013 at 9:00 a.m.;

AND WHEREAS on May 27, 2013, the parties agreed that at the pre-hearing conference scheduled for June 24, 2013 at 9:00 a.m., the parties would be prepared to set the following dates:

(a) a date in September 2013 for a pre-hearing conference, by which time the Respondents and Staff will have provided witness lists and disclosure to the other parties;

(b) a date in October 2013 for a further pre-hearing conference to prepare for the hearing on the merits; and

(c) dates in November 2013 for the hearing on the merits;

AND WHEREAS on June 4, 2013, Staff filed an Amended Statement of Allegations with respect to the Respondents;

AND WHEREAS on June 24, 2013, Staff appeared and made submissions and counsel to Rogerson appeared and made submissions on behalf of his client and on behalf of counsel to Hanna-Rogerson and Portfolio Capital;

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) Staff shall provide any additional disclosure to the Respondents by July 12, 2013;

(b) Staff shall provide its witness list and hearing briefs to the Respondents by September 12, 2013;

(c) the Respondents shall provide their witness lists and hearing briefs to Staff by September 25, 2013;

(d) the hearing is adjourned to a further pre-hearing conference to be held on September 27, 2013 at 10:00 a.m. to prepare for the hearing on the merits; and

(e) the hearing on the merits in this matter shall commence on November 4, 2013 at 10:00 a.m. and shall continue on November 6, 7, 8 and 11, 2013.

DATED at Toronto this 24th day of June, 2013.

"Alan J. Lenczner"

2.2.9 Global Consulting and Financial Services et al. – ss. 127(1) and 127(8)

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

AND

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

TEMPORARY ORDER
(Subsections 127(1) and (8) of the Securities Act)

WHEREAS on November 4, 2010, the Ontario Securities Commission (the "Commission") issued a temporary cease trade order pursuant to subsections 127(1) and 127(5) of the *Securities Act,* R.S.O. 1990, c. S.5, as amended (the "Act") ordering that Global Consulting and Financial Services ("Global"), Crown Capital Management Corporation ("Crown"), Canadian Private Audit Service ("CPAS"), Executive Asset Management ("EAM"), Jan Chomica, Michael Chomica, Peter Kuti ("Kuti"), and Lorne Banks ("Banks") (collectively, the "Respondents") cease trading in all securities (the "Temporary Order");

AND WHEREAS on November 4, 2010, the Commission ordered pursuant to clause 3 of subsection 127(1) of the Act, that any exemptions contained in Ontario securities law do not apply to the Respondents;

AND WHEREAS on November 4, 2010, the Commission ordered that the Temporary Order shall expire on the fifteenth day after its making unless extended by order of the Commission;

AND WHEREAS on November 9, 2010, the Commission issued a direction under subsection 126(1) of the Act freezing assets in a bank account in the name of Crown (the "Freeze Direction");

AND WHEREAS on November 4, 2010, the Commission issued a Notice of Hearing to consider, among other things, the extension of the Temporary Order, to be held on November 17, 2010 at 3:00 p.m. (the "Notice of Hearing");

AND WHEREAS the Notice of Hearing set out that the hearing was to consider, inter alia, whether, in the opinion of the Commission, it was in the public interest, pursuant to subsections 127(7) and (8) of the Act, to extend the Temporary Order until the conclusion of the hearing, or until such further time as considered necessary by the Commission;

AND WHEREAS Staff of the Commission ("Staff") served the Respondents with copies of the Temporary Order and the Notice of Hearing, and served Crown with the Freeze Direction as evidenced by the Affidavit of Charlene Rochman, sworn on November 17, 2010, and filed with the Commission;

AND WHEREAS on November 17, 2010, Staff and counsel for Banks appeared before the Commission, and whereas Global, Crown, CPAS, EAM and Kuti did not appear before the Commission to oppose Staff's request for the extension of the Temporary Order;

AND WHEREAS Staff had received a Direction from Jan Chomica dated November 11, 2010, in which she consented to extending the Temporary Order for at least two months;

AND WHEREAS counsel for Michael Chomica did not attend the hearing but had advised Staff that Michael Chomica consented to (or did not oppose) an extension of the Temporary Order for at least two months;

AND WHEREAS on November 17, 2010, counsel for Banks advised the Commission that Banks consented to an extension of the Temporary Order;

AND WHEREAS the Commission considered the evidence and submissions before it and, pursuant to subsection 127(8) of the Act, ordered that the Temporary Order be extended to January 27, 2011;

AND WHEREAS the Commission further ordered that the hearing in this matter be adjourned to January 26, 2011 at 11:00 a.m., and that the parties make efforts to advise the Commission by January 3, 2011 whether they were in agreement that the hearing set for January 26, 2011 be held in writing;

AND WHEREAS by Notice of Motion dated December 16, 2010 (the "Notice of Motion"), Staff sought to amend the Temporary Order to include Peter Siklos ("Siklos") as the person using the alias "Peter Kuti", thereby making Siklos subject to the Temporary Order, and to abridge, under Rule 1.6(2) of the Commission's Rules of Procedure (2010), 33 O.S.C.B. 8017 (the "Rules"), the notice requirements for the filing and service of motion materials under Rule 3.2 of the Rules and the requirement for a Memorandum of Fact and Law under Rule 3.6 of the Rules (the "Motion");

AND WHEREAS in support of the Motion, Staff filed the Affidavit of Wayne Vanderlaan ("Vanderlaan"), sworn December 15, 2010 (the "Vanderlaan Affidavit"), in which Vanderlaan stated that there is a real Peter Kuti who, based on the information currently available to Staff, is not the "Peter Kuti" who is an alias for Siklos;

AND WHEREAS the Motion was heard on Monday, December 20, 2010 at 10:00 a.m. before a panel of the Commission (the "Motion Hearing");

AND WHEREAS the Commission, after considering the Affidavit of Service of Charlene Rochman sworn December 17, 2010, was satisfied that Staff had served the Notice of Motion, the December 16, 2010 covering letter from Carlo Rossi, Litigation Counsel with Staff, and the Vanderlaan Affidavit on the Respondents;

AND WHEREAS counsel for Banks advised Staff that he would not be attending on the Motion and that Banks took no position with respect to it;

AND WHEREAS on December 20, 2010, Staff and counsel for Siklos attended before the Commission, and counsel for Siklos advised that Siklos consented to the Motion;

AND WHEREAS the Commission considered the Notice of Motion and the Vanderlaan Affidavit and the submissions made by Staff and counsel for Siklos at the Motion Hearing;

AND WHEREAS the Commission ordered that:

1. Pursuant to clause 2 of subsection 127(1) of the Act, Peter Siklos (also known as Peter Kuti) shall cease trading in all securities;

2. Pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Peter Siklos (also known as Peter Kuti);

3. The title of the proceeding shall be amended accordingly;

4. For clarity, the Temporary Order as Amended (the "Amended Temporary Order") be extended to January 27, 2011; and

5. For clarity, the hearing to consider the extension of the Amended Temporary Order be held on January 26, 2011 at 11:00 a.m. and the parties shall make efforts to advise the Commission by January 3, 2011 whether they are in agreement that the hearing scheduled for January 26, 2011 be held in writing;

AND WHEREAS by way of letter dated January 25, 2011, Staff advised the Commission that it had obtained the consent of Michael Chomica, Jan Chomica, Siklos and Banks (collectively, the "Individual Respondents"), Crown and Global to extend the Amended Temporary Order;

AND WHEREAS Staff provided the Commission with the Affidavit of Charlene Rochman sworn January 24, 2011, outlining service of the Amended Temporary Order on the Respondents and the consent of the Individual

Respondents, Crown and Global to the extension of the Amended Temporary Order;

AND WHEREAS the Commission ordered that the Amended Temporary Order be extended to March 9, 2011 and that the hearing be adjourned to March 8, 2011 at 10:00 a.m.;

AND WHEREAS on March 8, 2011, Staff attended before the Commission and no one attended on behalf of the Respondents;

AND WHEREAS the Commission was satisfied that Staff had undertaken reasonable efforts to serve the Respondents with notice of the hearing;

AND WHEREAS on March 8, 2011, Staff advised the Commission that Staff had been in contact with Jan Chomica and counsel representing Michael Chomica, Banks and Siklos and that Jan Chomica, Michael Chomica, Banks and Siklos were not opposing the extension of the Amended Temporary Order;

AND WHEREAS the Commission ordered that the Amended Temporary Order be extended to May 17, 2011 and that the hearing be adjourned to May 16, 2011 at 10:00 a.m.;

AND WHEREAS on May 16, 2011, Staff appeared before the Commission and no one appeared on behalf of any of the Respondents;

AND WHEREAS on May 16, 2011, Staff advised the Commission that Staff had been in contact with counsel representing Michael Chomica, Banks and Siklos and that the Individual Respondents were not opposing the extension of the Amended Temporary Order;

AND WHEREAS Staff further advised that Jan Chomica had provided her consent to the extension of the Amended Temporary Order by way of writing;

AND WHEREAS Staff provided the Commission with the Affidavit of Charlene Rochman sworn May 13, 2011 outlining Staff's efforts to serve the Respondents and the consent of the Individual Respondents, Crown and Global to the extension of the Amended Temporary Order;

AND WHEREAS the Commission ordered that the Amended Temporary Order be extended to July 18, 2011 and the hearing be adjourned to July 15, 2011 at 11:00 a.m.;

AND WHEREAS on July 15, 2011, Staff appeared before the Commission and no one appeared on behalf of any of the Respondents;

AND WHEREAS on July 15, 2011, Staff advised the Commission that Staff had been in contact with counsel representing Michael Chomica and Banks and that Michael Chomica consented to an extension of the Amended Temporary Order for 90 days and Banks was not opposing the extension;

AND WHEREAS Staff further advised that Jan Chomica had provided her consent to the extension of the Amended Temporary Order by way of writing;

AND WHEREAS Staff provided the Commission with the Affidavit of Charlene Rochman sworn July 13, 2011 outlining service on the Respondents;

AND WHEREAS the Commission ordered that the Amended Temporary Order be extended to October 12, 2011 and the hearing be adjourned to October 11, 2011 at 2:30 p.m.;

AND WHEREAS on October 11, 2011, Staff appeared before the Commission to request that the Amended Temporary Order be extended for an additional 90 days;

AND WHEREAS no one appeared on behalf of any of the Respondents;

AND WHEREAS Staff advised the Commission that Staff had been in contact with counsel representing Siklos and Banks and that Siklos consented to an extension of the Amended Temporary Order for 90 days and Banks was not opposing the extension;

AND WHEREAS Staff provided the Commission with the Affidavit of Charlene Rochman sworn October 7, 2011 outlining service on the Respondents;

AND WHEREAS the Commission ordered that the Amended Temporary Order be extended to January 12, 2012 and the hearing be adjourned to January 11, 2012 at 10:00 a.m.;

AND WHEREAS on January 11, 2012, Staff appeared before the Commission to request that the Amended Temporary Order be extended for an additional 90 days;

AND WHEREAS no one appeared on behalf of any of the Respondents other than counsel for Siklos;

AND WHEREAS Michael Chomica and Jan Chomica advised Staff in writing that they consented to an extension of the Amended Temporary Order for 90 days;

AND WHEREAS counsel for Banks advised Staff that Banks did not oppose a further extension of the Amended Temporary Order for 90 days;

AND WHEREAS counsel for Siklos advised the Commission that he consented to an extension of the Amended Temporary Order for 90 days;

AND WHEREAS Staff provided the Commission with the Affidavit of Charlene Rochman affirmed January 10, 2012 outlining Staff's efforts to serve the Respondents;

AND WHEREAS on January 11, 2012, the Commission ordered that the Amended Temporary Order

be extended to April 12, 2012 and the hearing be adjourned to April 11, 2012 at 10:00 a.m.;

AND WHEREAS on April 11, 2012, Staff appeared before the Commission to request that the Amended Temporary Order be extended and no one appeared on behalf of any of the Respondents;

AND WHEREAS Staff provided the Commission with the Affidavit of Peaches Barnaby sworn April 11, 2012 outlining Staff's efforts to serve the Respondents;

AND WHEREAS on April 11, 2012, the Commission ordered that the Amended Temporary Order be extended to June 12, 2012 and the hearing be adjourned to June 11, 2012 at 9:00 a.m.;

AND WHEREAS on June 11, 2012, Staff appeared before the Commission to request that the Amended Temporary Order be extended and no one appeared on behalf of any of the Respondents;

AND WHEREAS Staff provided the Commission with the Affidavit of Peaches Barnaby sworn June 5, 2012 outlining Staff's efforts to serve the Respondents;

AND WHEREAS quasi-criminal proceedings were commenced in the Ontario Court of Justice pursuant to section 122(1)(c) of the Act against, inter alia, Michael Chomica, Jan Chomica and Siklos (the "Section 122 Proceedings");

AND WHEREAS on June 11, 2012, Staff advised the Commission that counsel for Banks consented to a further extension of the Amended Temporary Order for six months;

AND WHEREAS on June 11, 2012, the Commission ordered that the Amended Temporary Order be extended to December 5, 2012 and the hearing be adjourned to December 4, 2012 at 3:30 p.m.;

AND WHEREAS by way of letter dated November 30, 2012, Staff advised the Commission that a judicial pre-trial conference was scheduled for December 17, 2012 in connection with the Section 122 Proceedings and that the Individual Respondents consented to an extension of the Amended Temporary Order to the middle of January 2013;

AND WHEREAS Staff provided the Commission with the Affidavit of Nancy Poyhonen sworn November 30, 2012, outlining Staff's attempts to serve the Amended Temporary Order on the Respondents and the consent of the Individual Respondents to the extension of the Amended Temporary Order;

AND WHEREAS on December 3, 2012, the Commission ordered that the Amended Temporary Order be extended to January 18, 2013 and the hearing be adjourned to January 17, 2013 at 9:00 a.m.;

AND WHEREAS on January 17, 2013, Staff appeared before the Commission to request that the Amended Temporary Order be extended and no one appeared on behalf of any of the Respondents;

AND WHEREAS Staff provided the Commission with the Affidavit of Peaches Barnaby sworn January 15, 2013 outlining Staff's service of the Amended Temporary Order on the Individual Respondents, Global and Crown, and Staff's efforts to serve CPAS and EAM;

AND WHEREAS Staff advised the Commission that further dates had been scheduled in connection with the Section 122 Proceedings, including a set date appearance on February 14, 2013 and a continuing judicial pre-trial conference on February 28, 2013;

AND WHEREAS Staff requested that the Amended Temporary Order be extended to a date following the judicial pre-trial conference on February 28, 2013;

AND WHEREAS on January 17, 2013, the Commission ordered that the Amended Temporary Order be extended to March 8, 2013 and the hearing be adjourned to March 7, 2013 at 11:00 a.m.;

AND WHEREAS on March 7, 2013, Staff appeared before the Commission to request that the Amended Temporary Order be extended;

AND WHEREAS no one appeared on behalf of any of the Respondents;

AND WHEREAS Staff provided the Commission with the Affidavit of Peaches Barnaby sworn March 6, 2013 outlining Staff's service of the Amended Temporary Order on the Individual Respondents, Global and Crown, and Staff's efforts to serve CPAS and EAM;

AND WHEREAS Staff advised the Commission that, on February 14, 2013, Michael Chomica pleaded guilty to three counts of fraud contrary to sections 122 and 126.1(b) of the Act and that further dates had been scheduled in connection with the Section 122 Proceedings, including a sentencing hearing for Michael Chomica on March 14, 2013;

AND WHEREAS Staff provided the Commission with a letter from counsel to Banks indicating that Banks consented to a further extension of the Amended Temporary Order;

AND WHEREAS Staff requested that the Amended Temporary Order be extended;

AND WHEREAS the Commission ordered that the Amended Temporary Order be extended to April 26, 2013 and the hearing be adjourned to April 25, 2013 at 10:00 a.m.;

AND WHEREAS on April 25, 2013, Staff appeared before the Commission to request that the Amended Temporary Order be extended;

AND WHEREAS no one appeared on behalf of any of the Respondents;

AND WHEREAS Staff provided the Commission with the Affidavit of Peaches Barnaby sworn March 11, 2013 outlining Staff's service of the Amended Temporary Order on the Individual Respondents, Global and Crown, and Staff's efforts to serve CPAS and EAM;

AND WHEREAS Staff advised the Commission that: (i) Michael Chomica was sentenced to a period of incarceration in connection with the Section 122 Proceedings on March 14, 2013; (ii) Staff withdrew the allegations against Jan Chomica in connection with the Section 122 Proceedings; (iii) an appearance was scheduled for May 16, 2013 before the Ontario Court of Justice in connection with the Section 122 Proceedings against Siklos; and (iv) Staff had initiated administrative proceedings pursuant to section 127 of the Act against, inter alia, Global, Crown, Michael Chomica, Jan Chomica and Banks and the next appearance was scheduled for May 22, 2013 (the "Section 127 Proceedings");

AND WHEREAS Staff requested that the Amended Temporary Order be extended;

AND WHEREAS the Commission ordered that the Amended Temporary Order be extended to June 6, 2013 and the hearing be adjourned to June 5, 2013 at 9:00 a.m.;

AND WHEREAS by a letter from Staff to the Secretary of the Commission dated June 3, 2013 (the "June 3 Letter") accompanied by the Affidavit of Nancy Poyhonen sworn on June 3, 2013 (the "June 3 Affidavit"), Staff requested that the hearing scheduled for June 5, 2013 proceed in writing and that the Commission make certain orders in connection with the Amended Temporary Order;

AND WHEREAS the June 3 Affidavit outlines service of the Commission's April 25, 2013 Order on the Individual Respondents and on Global and Staff's attempts to effect service on Crown;

AND WHEREAS it has become evident that service on Crown is not possible;

AND WHEREAS the June 3 Affidavit includes Staff's recent correspondence with Siklos, counsel to Banks and counsel to Jan Chomica and Global, informing these respondents of Staff's intention to request an order of the Commission to extend the Amended Temporary Order for approximately six months and to request that the hearing scheduled for June 5, 2013 proceed in writing;

AND WHEREAS trial dates have been scheduled in connection with the Section 122 Proceedings against Siklos for January 2014 and the next appearance in connection with the Section 122 Proceedings is scheduled for October 4, 2013 to confirm the trial dates;

AND WHEREAS a pre-hearing conference is currently scheduled for June 24, 2013 in connection with the Section 127 Proceedings;

AND WHEREAS in the June 3 Letter, Staff requests that:

1. The oral hearing scheduled for June 5, 2013 proceed in writing and that the date for the oral hearing be vacated;

2. The Amended Temporary Order against Global, Crown, Michael Chomica, Jan Chomica and Banks be extended to June 26, 2013 and that the hearing in respect of these respondents be adjourned to June 24, 2013 at 10:00 a.m. so that it may be addressed at the pre-hearing conference in connection with the Section 127 Proceedings; and

3. The Amended Temporary Order against Siklos be extended to a date following his next appearance before the Ontario Court of Justice in connection with the Section 122 Proceedings on October 4, 2013, and that the hearing in respect of Siklos be adjourned to a date following October 4, 2013 that is at least two days prior to the date on which the Amended Temporary Order expires;

AND WHEREAS Siklos consents to the extension of the Amended Temporary Order as outlined above;

AND WHEREAS in the June 3 Letter, Staff indicated that it is not seeking to extend the Amended Temporary Order against either CPAS or EAM;

AND WHEREAS the Commission considered the June 3 Letter and the June 3 Affidavit and the Commission is of the opinion that is in the public interest to make this Order;

AND WHEREAS on June 5, 2013, the Commission ordered that:

1. The oral hearing scheduled for June 5, 2013 proceed in writing and the hearing date scheduled for June 5, 2013 be vacated;

2. The Amended Temporary Order against Global, Crown, Michael Chomica, Jan Chomica and Banks be extended to June 26, 2013 and the hearing in respect of these respondents be adjourned to June 24, 2013 at 10:30 a.m.;

3. The Amended Temporary Order against Siklos be extended to October 11, 2013 and the hearing in respect of Siklos be adjourned to October 9, 2013 at 10:00 a.m.; and

4. Pursuant to Rule 1.4 and Rule 1.5.3(3) of the Rules, future service on Crown be waived;

AND WHEREAS on June 24, 2013, Staff appeared before the Commission to request that the Amended Temporary Order be extended;

AND WHEREAS counsel for Banks attended the hearing and no one appeared on behalf of Global, Crown, Michael Chomica or Jan Chomica;

AND WHEREAS Staff provided the Commission with the Affidavit of Peaches Barnaby sworn June 21, 2013 outlining Staff's service of the Amended Temporary Order on Global, Michael Chomica, Jan Chomica and Banks;

AND WHEREAS dates have been set in connection with the Section 127 Proceedings, including a further pre-hearing conference on September 4, 2013 at 2:00 p.m. and the hearing on the merits commencing on November 25, 2013 at 10:00 a.m. and continuing on November 26, 27, 28 and 29, 2013;

AND WHEREAS counsel for Banks did not oppose an extension of the Amended Temporary Order;

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

IT IS HEREBY ORDERED that the Amended Temporary Order against Global, Crown, Michael Chomica, Jan Chomica and Banks is extended to two days following the conclusion of the Section 127 Proceedings, including the issuance of the Commission's decision on sanctions and costs should a sanctions hearing be required following the conclusion of the hearing on the merits in this matter.

DATED at Toronto this 24th day of June, 2013.

"Alan J. Lenczner"

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1.1 Vincent Ciccone and Cabo Catoche Corp. (a.k.a. Medra Corp. and Medra Corporation) – s. 127

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

AND

IN THE MATTER OF
VINCENT CICCONE and CABO CATOCHE CORP.
(a.k.a. MEDRA CORP. and MEDRA CORPORATION)

REASONS AND DECISION
with respect to CABO CATOCHE CORP.
(a.k.a. MEDRA CORP. and MEDRA CORPORATION)
(Section 127 of the Act)

Hearing: September 5, 7, 13 and 20, 2012
October 9 and 19, 2012
November 8 and 29, 2012
December 19, 2012
April 2, 2013

Decision: June 18, 2013

Panel: Vern Krishna, C.M., Q.C. – Commissioner and Chair of the Panel

Appearances: Michelle Vaillancourt – For Staff of the Commission

No one appeared on behalf of Cabo Catoche Corp. (a.k.a. Medra Corp.and Medra Corporation)

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REASONS AND DECISION WITH RESPECT TO CABO CATOCHE CORP.
(a.k.a. MEDRA CORP. and MEDRA CORPORATION)

I. OVERVIEW

A. Introduction

[1] This was a hearing before the Ontario Securities Commission (the "**Commission**") pursuant to section 127 of the *Securities Act,* R.S.O. 1990, c. S.5, as amended (the "Act") to consider whether Cabo Catoche Corp. (a.k.a. Medra Corp. and Medra Corporation) ("**Medra**") contravened Ontario securities law and acted contrary to the public interest.

[2] Staff of the Commission ("**Staff**") alleges that, from April 2008 to December 2009 (the "**Material Time**"), Medra engaged in unregistered trading and illegal distribution of its securities, contrary to sections 25 and 53 of the Act. Staff further alleges that Medra engaged in fraud, contrary to section 126.1(b) of the Act, and that Medra engaged in a course of conduct related to its securities with a view of creating a misleading appearance of trading activity or an artificial price for its securities, contrary to the public interest.

[3] The other respondent in this matter, Vincent Ciccone ("**Ciccone**"), settled with Staff and the settlement agreement between Staff and Ciccone was approved by the Commission on September 7, 2012 (*Re Ciccone* (2012), 35 O.S.C.B. 8417).

B. History of Proceedings

1. The Temporary Order

[4] On April 21, 2010, the Commission issued a temporary cease trade order against Medra, Ciccone and a number of other individuals and companies (the "**Temporary Order**"). The Temporary Order was extended from time to time and, pursuant to an order of the Commission dated May 3, 2012, the Temporary Order was extended against Medra and Ciccone until the conclusion of the hearing on the merits in this matter.

2. Merits Hearing

[5] This proceeding was commenced by a Notice of Hearing issued by the Commission on October 3, 2011 in connection with a Statement of Allegations filed by Staff on September 30, 2011. An Amended Notice of Hearing and an Amended Statement of Allegations were issued on May 3, 2012 and May 2, 2012, respectively.

[6] The hearing on the merits in this matter commenced on September 5, 2012. On that day, Staff informed the Commission that Staff and Ciccone were seeking an adjournment in light of their settlement discussions. The hearing was adjourned to September 7, 2012 and, as referenced in paragraph [3] above, another panel of the Commission approved the settlement agreement between Staff and Ciccone on September 7, 2012.

[7] The hearing was adjourned subsequently from time to time to address disclosure issues and Staff's request to convert the hearing to a written hearing, as discussed further below. On November 29, 2012, I heard oral evidence from Ciccone. By order dated December 3, 2012, I ordered that the hearing be converted to a written hearing.

3. Disclosure

[8] When the hearing convened on September 7, 2012, I expressed concerns regarding whether Staff had satisfied its disclosure obligation to Medra, the offices of which are located in Mexico. I received submissions from Staff on September 7 and 13, 2012 on this issue and, on September 20, 2012, I gave an oral ruling and issued an order that Staff had not met its disclosure obligation to Medra (written reasons for my decision were issued on October 31, 2012 (Re Ciccone (2012), 35 O.S.C.B. 10061)). Accordingly, I ordered Staff to provide copies of disclosure material to Medra subject to certain conditions and the hearing was further adjourned for Staff to meet its disclosure obligation to Medra. On October 9, 2012, I was informed by Staff that Medra did not respond to Staff's communications. As Medra did not provide Staff with an undertaking relating to the use of the disclosure material, which was a condition that must be met by Medra prior to Staff's provision of disclosure material, I was satisfied that Staff met its disclosure obligation to Medra and proceeded with the hearing on the merits.

4. Oral and Written Hearing on the Merits

[9] On October 9, 2012, Staff requested that the hearing on the merits be converted to a written hearing pursuant to Rule 11 of the Commission *Rules of Procedure* (2012), 35 O.S.C.B. 10071 (the "**Rules of Procedure**"). Staff informed the Panel that it intended to introduce affidavit evidence of four individuals, namely, Ciccone and three Staff members, and proposed a schedule for the filing of materials in support of its request. On October 19, 2012, following an appearance in this matter, I issued an order setting out a schedule for the filing of materials with respect to Staff's request:

1) Staff shall serve and file written submissions in support of their request to convert the Merits Hearing to a written hearing no later than October 23, 2012, such submissions to include copies of any affidavits Staff intend to rely on in the proposed written hearing;

2) If Medra objects to converting the Merits Hearing to a written hearing, it shall file with the Office of the Secretary, and serve upon Staff, written submissions setting out the reasons for their objection no later than November 7, 2012;

3) The Merits Hearing shall be reconvened on November 8, 2012, at 3:00 p.m. at the offices of the Commission…for the purpose of the Panel giving its ruling on the request to convert to a written hearing and, if the request is granted, to set a schedule for the receipt of submissions in the written hearing.

[10] Staff served, on October 19 and 22, 2012, and filed, on October 23, 2012, written submissions in support of this request. Included in the submissions were the affidavits of the three Staff members on which Staff intended to rely in the proposed written hearing. In its written submissions, Staff indicated that it had not heard from Ciccone with respect to Staff's request that he give affidavit evidence. Staff proposed, in the event that Ciccone did not respond to Staff's request or refused to provide an affidavit, to examine Ciccone orally at the hearing and to continue the hearing in writing thereafter.

[11] On November 8, 2012, Staff informed the Panel that while Medra advised Staff that it would consider the materials sent by Staff, Medra did not indicate that it objected to converting the hearing to a written hearing. Staff further informed the Panel that it was unable to get in contact with Ciccone and was therefore unable to obtain an affidavit from him. Accordingly, Staff requested that a date be set for the continuation of the hearing on the merits for the purpose of hearing oral evidence from Ciccone. I adjourned the hearing to November 29, 2012 for the purpose of hearing oral evidence from Ciccone.

[12] On November 29, 2012, I heard oral evidence from Ciccone. By order dated December 3, 2012, I ordered, pursuant to Rule 11 of the Rules of Procedure, that the hearing on the merits be converted to a written hearing for the purposes of taking evidence-in-chief by means of affidavit evidence from the three Staff members. I made an order setting out the following schedule:

...

2. If Staff wishes to amend any of the affidavits previously served and filed, Staff must serve and file such amendments no later than December 10, 2012;

3. Staff is directed to serve and file, no later than December 10, 2012, written submissions setting out Staff's position with respect to the findings of fact the Panel is asked to make in respect of the evidence from Staff's Affiants;

4. the Merits Hearing will be reconvened on December 19, 2012…for the purpose of cross-examination of Staff's Affiants and/or to allow Staff's Affiants to answer any questions from the Panel;

5. a schedule for the filing of evidence by Medra and the filing of final written submissions by both parties will be established when the hearing reconvenes on December 19, 2012;

...

[13] Staff served, on December 10, 2012, and filed, on December 11, 2012, amendments to one of the affidavits previously served and filed, as well as written submissions setting out Staff's position with respect to the affidavit evidence. On December 19, 2012, a hearing was held in which Staff made submissions on the affidavits of the three Staff members and the scheduling of the filing of evidence by Medra and the filing of final written submissions by both parties. I made a further order setting out the following schedule:

1. Medra shall serve and file, no later than January 18, 2013, any evidence Medra seeks to file in this matter;

2. Staff shall serve and file, no later than January 25, 2013, any evidence Staff seeks to file in reply;

3. Staff shall serve and file, no later than February 15, 2013, Staff's written closing submissions;

4. Medra shall serve and file, no later than February 22, 2013, Medra's written closing submissions;

5. Staff shall serve and file, no later than February 28, 2013, Staff's reply submissions, if any;

6. the Merits Hearing will be reconvened on April 2, 2013 for the purpose of hearing oral closing submissions of Staff and Medra;

...

[14] Staff appeared on April 2, 2013 and made oral closing submissions, supported by written closing submissions which were served on February 15 and 19, 2013 and filed on February 20, 2013. Medra did not file any evidence or written submissions by the deadlines set out above, nor did it appear on April 2, 2013 to make oral closing submissions. During closing submissions, I ordered Staff to provide supplementary submissions with respect to the allegation that Medra engaged in a course of conduct related to its securities with a view of creating a misleading appearance of trading activity or an artificial price for those securities, contrary to the public interest, by the close of business on April 15, 2013. Staff served and filed such supplementary submissions on April 15, 2013. An order was issued on April 17, 2013 providing that Medra shall serve and file any submissions in response to Staff's supplementary submissions by the close of business on April 29, 2013. Medra did not file any submissions by that date.

C. The Respondents

1. Medra

[15] Medra was incorporated in the State of Delaware on June 29, 2000 under the name DCH Technology, Inc. The name of the corporation was changed from DCH Technology, Inc. to Medra Corp. on July 27, 2006 and from Medra Corp. to Cabo Catoche Corp. on January 13, 2010.

[16] There is no record that Medra had been registered under the Act. Nor is there any record that Medra had been a reporting issuer in Ontario or had filed a prospectus with the Commission during the Material Time.

2. Ciccone

[17] Ciccone is a resident of Cambridge, Ontario. He was registered as a salesperson of a limited market dealer from November 1, 2004 to August 29, 2005. He was not registered under the Act during the Material Time.

[18] Ciccone was the President and Chief Executive Officer of Medra during the Material Time.

[19] Ciccone was also the sole director and officer of Ciccone Group Inc. ("**Ciccone Group**"), a corporation incorporated in Ontario on August 18, 1992 under the name 990509 Ontario Inc. ("**990509**"). The name of the corporation was changed on March 8, 2010 to Ciccone Group. Ciccone Group filed an assignment in bankruptcy on November 30, 2010.

[20] There is no record that Ciccone Group was ever registered under the Act.

[21] Ciccone settled with Staff and his settlement agreement with Staff was approved by the Commission on September 7, 2012.

II. NON-ATTENDANCE OF MEDRA

[22] Medra did not appear on any days of the hearing on the merits. It did not file any materials, nor did it make any submissions, on the merits in this matter. Based on the affidavits of service filed in this matter, I was satisfied that Medra was given notice of the hearing in accordance with subsection 6(1) of the *Statutory Powers Procedure Act,* R.S.O. 1990, c. S.22, as amended (the "**SPPA"**). Accordingly, I was entitled to proceed in the absence of the company or its representative in accordance with subsection 7(1) of the SPPA.

III. THE ISSUES

[23] Staff's allegations raise the following issues:

(a) Did Medra trade securities or engage in the business of trading securities without being registered, contrary to subsection 25(1)(a) of the Act, as that subsection existed prior to September 28, 2009, and subsection 25(1) of the Act, on and after September 28, 2009?

(b) Did Medra engage in a distribution of securities without filing a prospectus, contrary to subsection 53(1) of the Act?

(c) Were any exemptions from the registration or prospectus requirements available to Medra?

(d) Did Medra engage or participate in acts, practices or a course of conduct relating to its securities that it knew or reasonably ought to have known perpetrated a fraud on persons or companies, contrary to section 126.1(b) of the Act?

(e) Did Medra engage in a course of conduct related to its securities with a view of creating a misleading appearance of trading activity or an artificial price for those securities, contrary to the public interest?

[24] In the Amended Statement of Allegations, Staff alleged that Medra raised approximately $8 million from investors (i) from the issuance and sale of over 85 million shares to over 370 investors and (ii) from the sale of units of Medra's Founding Partners Program to at least 15 investors. In its written submissions, Staff withdrew the second allegation that Medra sold units of Medra's Founding Partners Program to at least 15 investors.

IV. THE EVIDENCE

[25] Staff called one witness, Ciccone, to give oral evidence and filed affidavit evidence of three Staff members, namely, Allister Field ("**Field**"), Michael Ho ("**Ho**") and Amy Tse ("**Tse"**).

[26] Medra did not appear and did not submit any evidence.

A. Ciccone

[27] Ciccone gave oral evidence regarding his involvement in Medra. He testified that Medra's head office in Canada was located in Kitchener, Ontario. In his evidence, Ciccone described Medra as being in the business of "raising funds for investments in resort properties…[i]n Mexico, Cancun" (Hearing Transcript dated November 29, 2012 at p. 15). He testified that Medra had two projects in Cancun, Mexico, namely, the "Puerto Aventuras (Mexico) project" and the "Monarch Cancun (Mexico) project" (together, the "Projects").

[28] Ciccone testified that he was the Chief Executive Officer and President of Medra from March 2008 to December 2009, following which time period Jeffery Jensen ("**Jensen**")[1] assumed control of the company. He testified that, during the Material Time, he was responsible for raising funds in Canada and, John Gel ("**Gel**"), his business partner, was responsible for purchasing properties in Cancun, Mexico.

[29] Ciccone's evidence is that funds were raised by issuing Medra shares from treasury and that he was involved in such issuance. He explained that as its President and CEO, he issued, on behalf of Medra, treasury directions to Manhattan Transfer Registrar Co. ("**Manhattan Transfer**"), the transfer agent and registrar for Medra, for all sales of Medra shares from treasury to investors. Manhattan Transfer would in turn issue share certificates to investors who had purchased Medra treasury shares.

[30] Ciccone testified that Medra sold shares from treasury to investors at various prices, ranging from $0.50 per share to $3.28 per share. He testified that the price of the treasury shares was determined by the price of Medra shares that were being

[1] Also known as Jeffery Jensen Anuth.

traded on the Pink Sheets LLC in the over-the-counter securities market in the U.S. (the "**Pink Sheets**"). While Medra was being traded on the Pink Sheets, Ciccone's evidence is that he was not involved in arranging for Medra to be quoted.

[31] Ciccone provided evidence that Medra treasury shares were sold to investors by him and agents that he retained. According to Ciccone, Medra shares were sold during meetings with investors or prospective investors as well as during events in which a presentation outlining the investment was given to investors or prospective investors. During these meetings or events, investors were told that funds would be used to develop the Projects and were shown the underlying properties of the Projects. He testified that treasury shares of Medra were sold to more than 100 or 200 investors during the time he was CEO and President of Medra.

[32] Ciccone testified that he maintained a website for Ciccone Group which referred to opportunities to invest in Medra. Ciccone further testified that he also maintained a website for Medra. He acknowledged that one of the purposes of the Medra website, as the website indicated, was to direct investors to contact Medra in relation to the purchase of Medra shares. In both cases, he retained a company to assist with the technical side of the websites and provided that company with the content to be displayed.

[33] It is Ciccone's evidence that he opened bank accounts in the name of Medra to receive and transfer investor funds and that he was authorized to do so pursuant to a resolution of Medra's board of directors dated March 3, 2008. According to Ciccone, in April 2008, he opened two accounts for Medra at TD Financial Group (together, the "**Medra Accounts**").

[34] Ciccone acknowledged in his evidence that he had sole signing authority for the Medra Accounts during the Material Time, and when he resigned as President and CEO of Medra in December 2009, Jensen became the signing officer for the Medra Accounts. Although the banking records obtained from TD Financial Group indicate that Ciccone was one of the two signatories for the Medra Accounts on December 16, 2009, Ciccone's testimony was that he believed that he no longer had signing authority for those accounts when Jensen assumed control of the company at that time. According to Ciccone, his name continued to be listed in the banking documents on December 16, 2009 because, in order for a foreign company to maintain an account in Canada, there must be a Canadian signatory for the account. He further testified that he had not signed any cheques for the company since December 16, 2009.

[35] According to Ciccone, funds received from the sale of Medra shares from treasury were deposited into the Medra Accounts. In his testimony, he confirmed that Medra did not generate revenue from its business and indicated that he does not dispute that, subject to certain transfers, the majority of funds that were deposited into the Medra Accounts came from the sale of Medra shares from treasury. More specifically, he indicated that he does not dispute Staff's analysis described in paragraph [45] below.

[36] Ciccone's evidence discloses that some investor funds were then transferred to accounts at TD Financial Group in the name of Ciccone Group (the "Ciccone Group Accounts"). While banking documents indicate that both Ciccone and his spouse had signing authority for the Ciccone Group Accounts, Ciccone testified that he was the only person to have signed cheques drawn on the Ciccone Group Accounts and that he believed himself to be the sole signing authority for those accounts.

[37] Funds in the Ciccone Group Accounts were dispersed for various uses. For example, Ciccone testified that $800,000 of investor funds was transferred on April 24, 2008 from the Medra Accounts to the Ciccone Group Accounts to be invested with Axcess Automation LLC ("Axcess Automation"), a company founded by Gordon Driver that purported to generate return by using computer software to invest in futures contracts or options. Ciccone also gave evidence that he transferred funds that he considered to be funds raised from the sale of Medra treasury shares in the Ciccone Group Accounts to his personal accounts at TD Financial Group (the "**Ciccone Personal Accounts**"). According to Ciccone, he subsequently transferred those funds from the Ciccone Personal Accounts to his trading accounts at TD Waterhouse (the "**Ciccone Trading Accounts**") to purchase shares of Medra on the Pink Sheets.

[38] Ciccone testified that while investors were under the impression that investor funds would be used to purchase properties for the Projects, references to other investment opportunities had also been made to investors in the events referred to in paragraph [31] above. However, he acknowledged that it was not represented to investors that funds would be transferred to Ciccone Group or invested with Axcess Automation. He further testified that, with respect to the funds invested with Axcess Automation, the funds were only invested temporarily with that company in order to generate returns and both the principal amounts invested and the returns generated were intended to be used to purchase properties for the Projects.

[39] With respect to the trading of Medra shares on the Pink Sheets through the Ciccone Trading Accounts, Ciccone testified that Gel represented himself as an expert in the stock market and would be able to increase the value of Medra shares. Ciccone testified that Gel instructed him to buy a specific number of shares on the Pink Sheets at a price specified by Gel and the price of Medra shares rose from $0.50 per share to a high point of $3.28 per share.

[40] Ciccone testified that no prospectus had been filed with the Commission because he was told by Gel that it was not necessary to file one. He also testified that he did not know what an accredited investor was during the Material Time and did not take steps to ascertain whether investors were accredited.

B. Field

[41] Field, an investigator with the Enforcement Branch of the Commission, was assigned to this matter on January 28, 2010. He provided, as evidence on the merits, affidavits sworn October 19, 2012 and December 10, 2012 (the "**Field Affidavits**") identifying various documents obtained in Staff's investigation in this matter, including:

- Incorporation documents for Ciccone Group and Medra.
- Share certificates issued by Medra.
- A document entitled "Transfer Journal" prepared by Manhattan Transfer. The Transfer Journal provides information relating to the issuance of Medra treasury shares to investors, including the names of investors to whom Medra treasury shares were issued, the dates of the issuances, the share certificate numbers and the number of Medra shares issued.
- Section 139 certificates issued by the Commission as to the registration or non-registration of Medra, Ciccone and Ciccone Group and the filing or non-filing of a prospectus by Medra with the Commission.
- Printouts of the Pink Sheets website showing data relating to the trading of Medra securities in the secondary market.
- Banking records relating to the Medra Accounts, the Ciccone Group Accounts, the Ciccone Personal Accounts and the Ciccone Trading Accounts.
- Documents relating to Staff's communication with Medra investors, including the transcript of a voluntary interview with an investor who will be referred to as "**L.M.**" in these reasons, and notes of telephone interviews with investors.

[42] Staff prepared a list of Medra's shareholders who purchased Medra treasury shares (the "Medra Shareholder List"). The Medra Shareholder List was prepared based on the Transfer Journal and the banking information relating to the Medra Accounts.

[43] Field also reviewed the banking records and provided an analysis of the flow of funds between various accounts related to Medra and Ciccone, as follows:

- On April 24, 2008, the amount of $800,000 was transferred from the Medra Accounts to the Ciccone Group Accounts and the amount of US$800,000 was transferred from the Ciccone Group Accounts to an account in the name of Axcess Automation.
- From November 2008 to May 2009, amounts totalling $595,000 and US$650,000 were transferred from the Ciccone Group Accounts to the Ciccone Personal Accounts.
- From November 2008 to June 2009, amounts totalling $521,000 and US$757,000 were transferred from the Ciccone Personal Accounts to the Ciccone Trading Accounts.

C. Ho

[44] Ho is a forensic accountant with the Enforcement Branch of the Commission. As part of the investigation of this matter, Ho reviewed documents obtained by Field, including the banking records, and provided in his affidavit sworn October 19, 2012 an analysis of the flow of funds between various accounts related to Medra and Ciccone.

[45] Ho prepared an analysis of the total amount of funds deposited into the Medra Accounts that came from the sale of Medra shares from treasury during the Material Time. In determining this total amount, Ho only took into account amounts over $2,000 that were deposited into the Medra Accounts and eliminated a number of deposits, including deposits received from the Ciccone Group Accounts, transfers between the Medra Accounts, deposits relating to the purchase of units of Medra's Founding

Partners Program,[2] deposits received from an account at TD which Ciccone was unable to identify at the hearing3 [3]and deposits subsequently reversed by the bank such as NSF deposits.

[46] According to this analysis, the total amount of investor funds deposited into the Medra Accounts was approximately $7,770,478, comprising of $2,588,850 and US$4,630,588.4[4]

[47] Ho's evidence is that although he attempted to match deposit information relating to the $7,770,478 to investors on the Medra Shareholder List, he was not able to match all of the $7,770,478 to the investors. More specifically, he was only able to match $2,538,850 and U$2,144,087 to the names of investors on the Medra Shareholder List. Ho explained that this is because banking documents do not always provide the name of the depositor.

[48] Ho further conducted an analysis of the flow of funds between the Medra Accounts and the Ciccone Group Accounts. His analysis shows that, from April 1, 2008 to December 2009, amounts totaling $1,463,612.18 and US$1,024,000 were transferred from the Medra Accounts to the Ciccone Group Accounts. The analysis further shows that, in the same time period, amounts totaling $550,000 and US$881,378.59 were transferred from the Ciccone Group Accounts to the Medra Accounts. His analysis demonstrates that, on a net basis, $913,612.18 and US$142,621.41 were transferred from the Medra Accounts to the Ciccone Group Accounts.

D. Tse

[49] Tse is a forensic accountant with the Enforcement Branch of the Commission. In her affidavit sworn October 19, 2012, she identified a printout of Ciccone Group's website as it appeared on July 22, 2009 at ciccone-group.com and a printout of Medra's website as it appeared in or about September and/or October 2009. With respect to Medra's website, Tse gave evidence that it was registered to Ciccone.

[50] Tse further identified a printout of the Pink Sheets website as it appeared on September 15, 2009 which contained general information about Medra, including that Medra was quoted on the Pink Sheets and that the last trade date at that time was September 14, 2009.

V. STANDARD OF PROOF

[51] The standard of proof in this proceeding is the civil standard. In *F.H. v. McDougall,* [2008] 3 S.C.R. 41 ("***McDougall***") at para. 40, the Supreme Court of Canada reaffirmed that "there is only one civil standard of proof at common law and that is proof on a balance of probabilities". Accordingly, Staff must prove its allegations on a balance of probabilities. The Panel must scrutinize the evidence with care and be satisfied "whether it is more likely than not that the event occurred" (*McDougall, supra,* at para. 44).

VI. ANALYSIS

A. Did Medra trade securities or engage in the business of trading securities without being registered, contrary to subsection 25(1)(a) of the Act, as that subsection existed prior to September 28, 2009, and subsection 25(1) of the Act, on and after September 28, 2009?

1. The Law

[52] Prior to September 28, 2009, the registration requirement under the Act was set out in subsection 25(1)(a) of the Act. That subsection stated:

> **25. (1) Registration for trading –** No person or company shall,
>
> (a) trade in a security or act as an underwriter unless the person or company is registered as a dealer, or is registered as a salesperson or as a partner or as an officer of a registered dealer and is acting on behalf of the dealer…
>
> and the registration has been made in accordance with Ontario securities law and the person or company has received written notice of the registration from the Director and, where the registration is subject to terms and conditions, the person or company complies with such terms and conditions.

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2 As set out in paragraph [24] above, allegations relating to the Founding Partners Program have been withdrawn by Staff. The deposits relating to the purchase of units of Medra's Founding Partners Program totalled US$1,279,000.

3 The deposits received from this TD bank account totalled $75,000.

4 The amount of US$4,630,588 is converted into Canadian dollars using the monthly average exchange rate of 1.119 for the period from April 2008 to December 2009, as published on the Bank of Canada website.

[53] Subsection 25(1) was amended on September 28, 2009. It now reads:

> **25. Registration – (1) Dealers –** Unless a person or company is exempt under Ontario securities law from the requirement to comply with this subsection, the person or company shall not engage in or hold himself, herself or itself out as engaging in the business of trading in securities unless the person or company,
>
> (a) is registered in accordance with Ontario securities law as a dealer; or
>
> (b) is a representative registered in accordance with Ontario securities law as a dealing representative of a registered dealer and is acting on behalf of the registered dealer.

[54] The requirement for registration is now determined by a "business trigger". In determining whether a person or company is trading in securities for a business purpose, section 1.3 of Companion Policy 31-103CP – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* sets out a number of relevant factors that are derived from case law and regulatory decisions that have interpreted the "business purpose test" for securities matters. The relevant factors are as follows:

> (a) Engaging in activities similar to a registrant;
>
> (b) Intermediating trades or acting as a market maker;
>
> (c) Directly or indirectly carrying on the activity with repetition, regularity or continuity;
>
> (d) Being, or expecting to be, remunerated or compensated; and
>
> (e) Directly or indirectly soliciting.

[55] "Trade" or "trading" is defined in the Act to include:

> (a) any sale or disposition of a security for valuable consideration, whether the terms of payment be on margin, instalment or otherwise, but does not include a purchase of a security or, except as provided in clause (d), a transfer, pledge or encumbrance of securities for the purpose of giving collateral for a debt made in good faith…

2. Analysis

[56] The evidence is clear that Medra engaged in trading or acts in furtherance of trading securities and engaged in the business of trading securities. Based on Ciccone's testimony summarized in paragraphs [29] to [35] above, which is supported by the affidavit evidence submitted by Staff, I find that Medra:

> (a) maintained a website for the purpose of inviting investors or prospective investors to contact Medra in connection with the purchase of Medra shares;
>
> (b) solicited interest from investors or prospective investors in Medra shares through its representatives in meetings with individual investors and in events in which a presentation was given to investors to provide information regarding investing in Medra;
>
> (c) retained a transfer agent and provided treasury directions to the transfer agent to issue share certificates to investors; and
>
> (d) opened and maintained accounts which received funds from investors in connection with their investments.

[57] The Transfer Journal and the banking records, which include cheques issued by investors payable to Medra to purchase Medra shares, show that Medra sold shares to investors for valuable consideration. During the hearing, Ciccone testified that Medra shares were sold from treasury to more than 100 or 200 investors, and Staff indicated in its oral closing submissions that it does not dispute Ciccone's testimony that Medra sold shares to more than 200 investors. During his testimony, Ciccone identified two investors listed in the Transfer Journal who purchased shares from Medra during the Material Time:

> (a) On August 26, 2008, an investor with the initials B.V.D.L. issued a cheque in the amount of $10,000 payable to Medra for the purchase of Medra shares. The Transfer Journal shows that 11,000 shares were issued to this investor on September 2, 2008.

(b) On December 15, 2008, an investor with the initials W.C.S. issued a cheque in the amount of $50,000 payable to Medra for the purchase of Medra shares. The Transfer Journal shows that 50,000 shares were issued to this investor on December 22, 2008.

[58] I accept Ho's analysis that Medra received a total of approximately $7,770,4785[5] in consideration for shares sold to investors. Although Ho indicated in his affidavit that he was unable to match all of the $7,770,478 to the investor names on the Medra Shareholder List, I accept Ho's explanation that it is because the supporting documents from the bank do not always provide the name of the depositor. Further, as set out in paragraph [35] above, Ciccone in his testimony indicated that he does not dispute Staff's methodology in determining the total amount raised, described in paragraph [45] above. Accordingly, I find that Medra sold shares to more than 100 or 200 investors and raised a total of approximately $7,770,478.

[59] Staff introduced into evidence section 139 certificates that show that Medra was not registered to trade securities under the Act during the Material Time.

[60] I find that the evidence above demonstrates that Medra engaged in trading and acts in furtherance of trading securities and engaged in the business of trading securities without registration, contrary to subsection 25(1)(a) of the Act, as that subsection existed prior to September 28, 2009, and subsection 25(1), on and after September 28, 2009, and contrary to the public interest.

B. Did Medra engage in a distribution of securities without filing a prospectus, contrary to subsection 53(1) of the Act?

1. The Law

[61] The prospectus requirement is set out in subsection 53(1) of the Act. It provides that:

> **53. (1) Prospectus required –** No person or company shall trade in a security on his, her or its own account or on behalf of any other person or company if the trade would be a distribution of the security, unless a preliminary prospectus and a prospectus have been filed and receipts have been issued for them by the Director.

[62] A "distribution" is defined in the Act to mean:

> (a) a trade in securities of an issuer that have not been previously issued,
>
> ...

2. Analysis

[63] As established above in paragraphs [56] to [58] above, Medra engaged in trading and acts in furtherance of trading its securities. Accordingly, Medra engaged in trades in securities of an issuer as contemplated by paragraph (a) of the definition of "distribution" under the Act.

[64] The definition of a "distribution" also stipulates that the securities in question must not have been previously issued. In this case, Ciccone testified that Medra sold shares from treasury which were not previously issued.

[65] For the reasons above, the trading of Medra treasury shares constituted a distribution within the meaning of the Act.

[66] The section 139 certificates in evidence show that Medra did not file a prospectus or a preliminary prospectus during the Material Time.

[67] Accordingly, I find that Medra engaged in a distribution without filing a prospectus, contrary to subsection 53(1) of the Act and contrary to the public interest.

C. Were any exemptions from the registration or prospectus requirements available to Medra?

[68] Under securities legislation or rules, there are a number of exemptions from the registration and prospectus requirements. Once Staff has shown that a respondent has traded securities without registration or engaged in a distribution without filing a prospectus, the onus shifts to the respondent to establish that one or more exemptions from the registration or prospectus requirements were available (*Re Limelight Entertainment Inc.* (2008), 31 O.S.C.B. 1727 at para. 142).

[5] See paragraph [46] and footnote 4.

[69] There is no evidence before me that one or more exemptions from the registration or prospectus requirements were available. In fact, there is evidence before me that not all of the investors were accredited investors. Staff has interviewed a number of Medra investors and provided affidavit evidence that five Medra investors did not meet the criteria to be an accredited investor. In his testimony, Ciccone also acknowledged that he took no steps to ascertain whether the investors were accredited because he did not understand what an accredited investor was and did not know that an exemption was required to sell securities without a prospectus.

[70] In these circumstances, I find that no exemption from the registration or prospectus requirements was available to Medra.

D. Did Medra engage in fraud, contrary to section 126.1(b) of the Act?

1. The Law

[71] Section 126.1(b) of the Act is the fraud provision. It states that:

> **126.1 Fraud and market manipulation –** A person or company shall not, directly or indirectly, engage or participate in any act, practice or course of conduct relating to securities or derivatives of securities that the person or company knows or reasonably ought to know,
>
> …
>
> (b) perpetrates a fraud on any person or company.

[72] The jurisprudence has established the elements of fraud under section 126.1(b) of the Act as follows:

The act of fraud is established by proof of:

1. the prohibited act, be it an act of deceit, a falsehood or some other fraudulent means; and
2. deprivation caused by the prohibited act, which may consist in actual loss or the placing of the victim's pecuniary interests at risk.

The mental element of fraud is established by proof of:

1. subjective knowledge of the prohibited act; and
2. subjective knowledge that the prohibited act could have as a consequence the deprivation of another (which deprivation may consist in knowledge that the victim's pecuniary interests are put at risk.)

(see *R. v. Théroux,* [1993] 2 S.C.R. 5 at para. 27)

[73] The fraud provision of the British Columbia *Securities Act,* R.S.B.C. 1996, c. 418, as amended, has identical operative language as section 126.1 of the [Ontario] Act. The mental element of the fraud provision has been considered by the British Columbia Court of Appeal in *Anderson v. British Columbia (Securities Commission),* 2004 BCCA 7 (leave to appeal to the Supreme Court of Canada denied) ("***Anderson***"):

> … [the fraud provision of the BC Act] does not dispense with proof of fraud, including proof of a guilty mind…[the fraud provision of the BC Act] simply widens the prohibition against participation in transactions to include participants who know or ought to know that a fraud is being perpetrated by others, as well as those who participate in perpetrating the fraud. It does not eliminate proof of fraud, including proof of subjective knowledge of the facts constituting the dishonest act, by someone involved in the transactions.
>
> (*Anderson, supra,* at para. 26)

[74] For a corporation, it is sufficient to show that its directing minds knew or reasonably ought to have known that the corporation perpetrated a fraud to prove a breach of section 126.1(b) of the Act (see, for example, Re Al-Tar Energy Corp. (2010), 33 O.S.C.B. 5535 at para. 221).

2. Analysis

[75] Medra represented to investors that its business involved the development of resort properties in Cancun, Mexico. Medra's website contained the following statements:

> "Medra intends to become the premier vehicle through which individuals can participate in the fractional ownership of luxury resort units around the world." [emphasis added]
>
> "Currently we have the following assets under management:
>
> - Puerto Aventuras (Mexico) project
> - Monarch Cancun (Mexico) project
>
> ..."
>
> "Puerto Aventuras (Mexico)
>
> - We have existing units and are building 200 more
> - Value = $100M USD"
>
> "Monarch Cancun (Mexico)
>
> - 200 units situated on a pristine/unspoilt tract of 4,500 acres
> - Value = $100M USD"

[76] Ciccone testified that investors were told during meetings or events that funds would be used to purchase properties for the Projects and were shown those properties. Despite Ciccone's assertion that references to other investment opportunities were made to investors, it is clear, from the responses provided by an investor, L.M., during her voluntary interview with Staff, that the representations to investors regarding the use of funds mainly relate to the purchase of properties for the Projects. This investor informed Staff that she understood that investor funds would be used for real estate development and that there were no discussions that investor funds would be used for anything else.

[77] Although, as noted by Staff, it is not possible to directly identify the ultimate use of the majority of investor funds as a result of the commingling of funds, the large majority of funds deposited into the Medra Accounts were investor funds and Staff's flow of funds analysis shows that some of the funds raised from investors were not used to purchase properties for the Projects as represented to investors. For example, Staff's flow of funds analysis shows that, on a net basis, amounts totalling $913,612.18 and US$142,621.41 were transferred from the Medra Accounts to the Ciccone Group Accounts. Ciccone admitted in his testimony that investor funds were transferred from the Medra Accounts to the Ciccone Group Accounts, however, investors were never informed that their funds would be transferred to Ciccone Group.

[78] Staff's flow of funds analysis further shows that some of the investor funds that were transferred to the Ciccone Group Accounts were not applied to the purchase of properties for the Projects. For example, as referred to in paragraph [43] above, $800,000 of investor funds deposited into the Medra Accounts was transferred on April 24, 2008 to the Ciccone Group Accounts and US$800,000 was transferred on the same day from the Ciccone Group Accounts to an account held by Axcess Automation to be invested with Axcess Automation. In addition, as referred to in paragraph [37] above, Ciccone in his testimony acknowledged that funds that he considered to be funds raised from the sale of Medra treasury shares flowed from the Medra Accounts to the Ciccone Trading Accounts through the Ciccone Group Accounts and the Ciccone Personal Accounts, and those funds were used to purchase Medra shares on the Pink Sheets in order to "increase the value of [Medra] shares" (Hearing Transcript dated November 29, 2012 at p. 91). Staff's analysis shows that, from January 2, 2009 to October 21, 2009, Ciccone spent over $1.5 million to purchase Medra shares on the Pink Sheets through the Ciccone Trading Accounts.

[79] Accordingly, I find that Medra made misleading or untrue statements regarding the use of investor funds and engaged in acts of deceit or falsehood.

[80] The use of investor funds in the manner described above caused deprivation to investors. While it would be preferable to receive evidence from Staff regarding whether the funds raised from the distribution of Medra shares have been returned to investors, I accept Staff's submission that investors were exposed to risks of loss that were not contemplated by them when they provided funds to Medra for the purpose of investing in real estate or resort development as represented to them (see *Re Borealis (*2011), 34 O.S.C.B. 777 at paras. 107 and 108).

[81] As found in paragraphs [75] and [76] above, investors were told by Medra representatives and Ciccone that their funds would be used for real estate or resort development. During the Material Time, funds were nonetheless authorized to be transferred from the Medra Accounts by Ciccone, Medra's directing mind and the sole signing authority for the Medra Accounts during the Material Time, to be invested with Axcess Automation and to be used for the purchase of Medra shares on the Pink Sheets, contrary to the representations made to investors. I find that Medra's directing mind, and accordingly, Medra, knew that the representations to investors regarding the use of funds were false and misleading and would cause deprivation to investors by exposing them to risks not contemplated by them.6[6]

[82] Based on the foregoing, I find that Medra knowingly engaged in fraud, contrary to section 126.1(b) of the Act and contrary to the public interest.

E. Did Medra engage in a course of conduct related to its securities with a view of creating a misleading appearance of trading activity or an artificial price for those securities, contrary to the public interest?

[83] Ciccone testified that he purchased Medra shares on the Pink Sheets using funds that he considered to be funds raised from the distribution of Medra shares and accumulated a fairly sizable holding of Medra shares as a result. He testified that funds flowed ultimately to the Ciccone Trading Accounts from the Medra Accounts for the purpose of purchasing Medra shares in the secondary market. He further testified that he understood that the purpose of purchasing Medra shares in the secondary market was "to increase the value of [Medra] shares" (Hearing Transcript dated November 29, 2012 at p. 91). According to Ciccone, he was instructed by Gel to buy a certain number of shares on a certain day at a certain price, and Gel would cause the value of the shares to increase in the secondary market. As set out in paragraph [39] above, Ciccone testified that the price of Medra shares on the Pinks Sheets rose from $0.50 per share to a high point $3.28 per shares.

[84] Staff introduced affidavit evidence and analysis to show that Ciccone made various purchases of Medra shares on the Pink Sheets at different prices on the same day. For example, account statements for the Ciccone Trading Accounts show the following purchases of Medra shares on May 13, 2009: 500 shares at $3 per share, 750 shares at $3 per share, 21,500 shares at $2.95 per share, 250 shares at $3.05 per share, 50 shares at $3 per share, 250 shares at $3 per share, 500 shares at $2.90 per share, 1,500 shares at $3 per share and another 1,500 shares at $3 per share. Staff's analysis shows that, from January 2, 2009 to October 21, 2009, Ciccone spent over $1.5 million to purchase over 553,000 Medra shares in the secondary market through the Ciccone Trading Accounts.

[85] It is clear from the evidence above that the purchase of Medra shares by Ciccone using funds that Ciccone considered to be raised from the distribution of Medra shares was done with a view to increase the price of Medra shares and not for any legitimate purpose. Accordingly, I find that Medra, acting through Ciccone who was Medra's directing mind during the Material Time, engaged in a course of conduct related to its securities with a view of creating a misleading appearance of trading activity or an artificial price for those securities, contrary to the public interest.

VII. CONCLUSION

[86] For the reasons set out above, I find that:

(a) Medra traded, and engaged in the business of trading, securities without registration, contrary to subsection 25(1)(a) of the Act, as that subsection existed prior to September 28, 2009, and subsection 25(1), on and after September 28, 2009, and contrary to the public interest.

(b) Medra engaged in a distribution of securities without filing a prospectus, contrary to subsection 53(1) of the Act and contrary to the public interest;

(c) Medra engaged in fraud, contrary to section 126.1(b) of the Act and contrary to the public interest; and

(d) Medra engaged in a course of conduct related to its securities with a view of creating a misleading appearance of trading activity or an artificial price of those securities, contrary to the public interest.

[87] I will issue an order dated June 18, 2013 which sets down the date for the written submissions and the hearing with respect to sanctions and costs in this matter.

DATED at Toronto on this 18th day of June, 2013.

"Vern Krishna",Q.C.

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6 I make these findings with respect to Ciccone's role as an officer and director of Medra only, not in his personal capacity, and for the purpose of determining corporate liability of Medra. These findings are consistent with Ciccone's admissions in his settlement agreement with Staff.

3.1.2 Energy Syndications Inc. 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
ENERGY SYNDICATIONS INC.,
GREEN SYNDICATIONS INC., SYNDICATIONS CANADA INC.,
DANIEL STRUMOS, MICHAEL BAUM
and DOUGLAS WILLIAM CHADDOCK

REASONS AND DECISION
(Section 127 of the Act)

Hearing:	May 15, 16, 17, 22, 23 and 29, 2013		
Decision:	June 20, 2013		
Panel:	Alan J. Lenczner, QC	–	Commissioner
Appearances:	Christie Johnson	–	For Staff of the Ontario Securities Commission
	Douglas Chaddock	–	On his own behalf and on behalf of Energy Syndications Inc., Green Syndications Inc. and Syndications Canada Inc.
	Daniel Strumos	–	On his own behalf
	Michael Baum	–	Not appearing

REASONS AND DECISION

[1] The hearing on the merits was held before the Commission on May 15, 16, 17, 22, 23 and 29, 2013 (the "**Merits Hearing**"). Douglas Chaddock ("**Chaddock**") and Daniel Strumos ("**Strumos**") attended throughout the Merits Hearing and testified. Michael Baum ("**Baum**") did not appear. On April 3, 2013, the Ontario Securities Commission (the "**Commission**") issued an order waiving service on Baum, pursuant to Rule 1.5.3 of the Commission's *Rules of Procedure* (2012), 35 O.S.C.B. 10071 (the "**Rules**"), based on Staff's evidence of its unsuccessful attempts to serve him since November 13, 2012. Pursuant to Rule 7.1 and subsection 7(1) of the *Statutory Powers Procedure Act,* R.S.O. 1990, c. S.22, as amended, I am satisfied that the Commission is entitled to proceed with the Merits Hearing in Baum's absence.

[2] Staff of the Commission ("**Staff**") alleges that the Respondents contravened sections 25 (unregistered trading) and 53 of the *Act* (distribution without a prospectus) and subsection 44(2) of the *Act* (prohibited representations), contrary to the public interest, and that Chaddock, who was the directing mind of Energy Syndications Inc. ("**ESI**"), Green Syndications Inc. ("**GSI**") and Syndications Canada Inc. ("**SCI**") (the "**Corporate Respondents**"), authorized, permitted or acquiesced in the Corporate Respondents' non-compliance with Ontario securities law, contrary to section 129.2 of the *Act* and contrary to the public interest.

[3] The allegations relate to the sale of Land Agreements and Solar Panel Agreements by the Respondents between October 2008 and April 2011 (the "**Material Time**"). Chaddock, who was the directing mind of ESI, GSI and CSI, submits that the Respondents were not selling securities but sold tangible goods (the solar panels) in compliance with Ontario consumer protection law, and sold land in compliance with Ontario real estate law. The Respondents also claim that they relied on legal advice.

Part 1 – THE ISSUES

[4] I must decide the following issues:

(i) Did the Respondents engage in the business of trading in securities, without registration, in circumstances where no registration exemption was available, contrary to subsection 25(1)(a) of the *Act (*before September 28, 2009) and contrary to subsection 25(a) of the *Act* (on and after September 28, 2009), contrary to the public interest?

(ii) Did the Respondents distribute securities without filing a preliminary prospectus and prospectus with the Commission and receiving a receipt for it from the Director, in circumstances where no prospectus exemption was available, contrary to subsection 53(1) of the *Act* and contrary to the public interest?

(iii) Did the Respondents make false or misleading statements about matters that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading relationship with Energy, contrary to subsection 44(2) of the *Act* and contrary to the public interest?; and

(iv) Did Chaddock, being the director or officer of the Corporate Respondents, authorize, permit or acquiesce in the Corporate Respondents' non-compliance with Ontario securities law, contrary to section 129.2 of the *Act* and contrary to the public interest?

Part 2 – FACTS

A. SYNDICATIONS CANADA INC.

[5] In October of 2008, Chaddock incorporated SCI. Chaddock was the sole shareholder, director and officer of SCI.

[6] SCI obtained a large number of contiguous 8 metre x 8 metre plots from a Singaporean company, Profitable Plots Proprietary ("**PPP**"). Until 2008, when it withdrew from business in Canada, PPP had solicited Canadian purchasers for these plots all of which were situated in the United Kingdom near London.

[7] Beginning in October 2008, SCI carried on the business formerly conducted by PPP in Canada. It acquired the hundreds of small contiguous plots of land in the United Kingdom. It took over the lease from PPP at 80 Bloor Street East, Toronto, an attractive address and office space, which gave investors an impression of substance and of financial stability. It began selling the small contiguous plots of vacant land.

[8] Chaddock and Strumos had both worked for PPP.

[9] In 2008, SCI employed Strumos as a principal salesman with the title Client Services Manager. SCI also employed Baum as its Sales Manager. Baum did not appear at the hearing, although duly served with the Notice of Hearing and Statement of Allegations. His evidence was tendered by way of a transcript of his compelled evidence and admitted into evidence.

[10] SCI sought potential investors to contact it by running advertisements in *The Toronto Star* and in *The Globe and Mail* indicating that they could earn a 25 percent return in one year with the claim, "Make money like a bank, not from a bank". The advertisements, which ran frequently, did not indicate that the investment was a purchase of land in the U.K. They only emphasized the size of the percentage return that could be realized within a year.

[11] Once a potential investor contacted the company at the telephone number in the advertisements, either a promotional brochure was sent to the investor or the investor attended at the company's offices and spoke to Strumos to receive the details of the investment.

[12] If the investor was interested, he was sent a TP-I or TR-I Land Agreement which indicated the cost of acquiring a plot of land, usually £8,000. The Land Agreement contained a Schedule 2 which gave the investor the option to transfer back the plot to SCI in a year's time for the return of the purchase price and a fixed return of £2,000 or 25 percent.

[13] As the program of sales evolved, the fixed return promised on the return of the land was lowered to 18 percent at the conclusion of the one year period and then to the payment of one percent per month.

[14] One typical promotional brochure indicated:

4 EASY STEPS TO MAKING

12% ANNUALLY

1. Complete the Plot Request Form and make the £5,000 payment to our law firm 'Black Sutherland LLP – In Trust'.

2. On the date you sign the request form, your purchase is calculated into Canadian Dollars. 1.0% of the purchase price is calculated for the monthly consideration payment.

3. Sign the TR-1 documents that transfer freehold title for your plot and return the documents to us.

4. On your one year anniversary date, we buy back the property, or you can request (by mutual consent) to extend the OTR agreement for 12 additional months.

B. ENERGY SYNDICATIONS INC. AND GREEN SYNDICATIONS INC.

[15] In August 2010, Chaddock incorporated ESI, a wholly-owned subsidiary of SCI. Chaddock was the sole officer and director of that company.

[16] Contemporaneously, GSI was also incorporated. Its shares were owned as to 25 percent by SCI, as to 25 percent by Strumos, as to 25 percent by Chaddock and as to 25 percent by Chaddock's brother, David Chaddock. ESI had no active bank account and operated from 80 Bloor Street East, the same premises as SCI. GSI also had no bank account and also operated from the same premises.

[17] The purpose for the incorporation of ESI and GSI was to take advantage of the *Green Energy Act* and the Feed In Tariff program of the Government of Ontario whereby the Ontario Power Authority would pay attractive rates for energy produced by solar and by wind power either in small installations, up to 10 kilowatts, or through large installations.

[18] Chaddock, through SCI and ESI ran advertisements in *The Toronto Star* and *The Globe and Mail* promising a nine percent return for a six month investment. No mention was made in the advertisement that there was to be the purchase of solar panels. A telephone number was given to contact SCI or ESI.

[19] When a potential investor contacted the company, he was either sent a brochure, directed to a website and/or invited to the company premises for further details and explanation. The brochure indicated:

> The Ontario Government created a tremendous money making opportunity with Bill 150, the *Green Energy and Green Economy Act* … As a result of this mandate, there will be shortfall of locally manufactured solar panels to meet the demand of projects already permitted, not to mention the growing demand for 2011. … To meet this enormous demand, Green Syndications has developed a simple, clever business model which offers the opportunity to participate in and profit from the manufacture of solar panels …

[20] Upon an expression of interest by the investor, he was sent a panel request form, which he filled in to indicate how many panels he wished to purchase for the sum of $750 per panel. The minimum purchase requirement was four panels for the sum of $3,000.

[21] In due course, the investor was provided with a Solar Panel Agreement, which, in section 2.4, gave him three options exercisable after a six month lapse from the time of payment, the "Election Date",

(a) obtain a refund of the purchase price from SCI or ESI together with his fixed rate of return of nine percent;

(b) take delivery of the solar panels that he had purchased by paying, upon delivery, the HST and a delivery fee; and

(c) assign his solar panels into a leasing program that would be managed by Sunvestments Inc., an affiliate of ESI and SCI and receive a dollar rental figure per annum, being nine percent of the purchase price for a period up to 20 years.

PART 3 – THE RESPONDENTS' DEFENCES

[22] The Respondents claim that the Land Agreements provide for the purchase and sale of a plot of land in fee simple. They say that, upon payment of the purchase price, the investors received title to a parcel of land which they were entitled to retain or to sell. The option to put the lands back to SCI in one year's time is just that, an option to repurchase, not unusual in land transactions.

[23] The Respondents state that the Solar Panel Agreements provide for the purchase of a consumer good, a solar panel. Each Solar Panel Agreement specified a serial number that would accompany the solar panel, and the purchaser had the right, at the expiry of the Election Date, to call for the delivery of the panels purchased, to transfer the panels into a leasing program, or to refuse delivery of the panels and obtain the return of the purchase price plus nine percent. Each Solar Panel Agreement also contained a right of rescission pursuant to the *Consumer Protection Act.*

[24] The Respondents assert that both types of agreements do not constitute the sale of securities.

[25] With respect to the alleged misrepresentations, the Respondents state that the statements made in the solar panel promotional materials were not false or misleading.

[26] In addition, the Respondents claim that they relied upon lawyers to incorporate the companies and draw up both the Land Agreements and the Solar Panel Agreements. At no time were they advised that their activities were contrary to the *Act* or that they were engaged in trading in securities.

PART 4 – ANALYSIS

A. UNREGISTERED TRADING AND ILLEGAL DISTRIBUTION

[27] In this case, there is little dispute about the facts.

[28] There is no dispute that Chaddock, Strumos and Baum have not been registered with the Commission or that none of SCI, ESI and GSI has been a reporting issuer in Ontario, filed a prospectus with the Commission, delivered an offering memorandum to the Commission, or filed a Report of Exempt Distribution with the Commission.

[29] Nor is there any dispute about the material facts that gave rise to Staff's allegations.

[30] Chaddock admitted, in his testimony, that:

- he was the sole owner, director and officer of SCI, which he incorporated in October 2008, when PPP decided to close its Toronto office;
- he was the sole director of ESI, which was incorporated in August 2010 and was wholly owned by SCI;
- he was a director and 25% shareholder of GSI, which was also incorporated in August 2010;
- Baum and Strumos were employees of SCI, Baum as a Business Development Manager, who dealt mainly with new clients, and Strumos as a Client Services Manager, who dealt mainly with existing clients, but also dealt with new clients if Baum was unavailable, and both were paid commissions on each Land Agreement or Solar Panel Agreement they sold;
- the buy-back option was added to the Land Agreement when SCI took over the business of PPP;
- SCI marketed the Land Agreements by attending trade shows, running newspaper ads and distributing promotional material to interested persons;
- the money to pay the promised returns to existing clients came from the sale of Land Agreements to new clients;
- from the approximately $2.7 million received from sales of the Land Agreements, SCI paid out approximately $233,000 to PPP clients during the Material Time, and approximately $291,000 to SCI clients;
- SCI began selling the Solar Panel Agreements at the end of June 2010, with a six-month Election Date, and ceased doing so in October 2010;
- the Solar Panel Agreement was marketed by running newspaper ads, distributing promotional material to interested persons and directing them to the ESI website, and by contacting existing Land Agreement clients with information about the Solar Panel Agreement;
- SCI had not entered into binding agreements for the purchase or manufacture of solar panels by the time of the first Election Dates in January 2011, and had not created a leasing pool;
- SCI was not able to give refunds to investors who opted for a refund at the Election Date;
- SCI received approximately $1,075,000 from the sale of the Solar Panel Agreements, and paid out approximately $273,000 to investors; and
- ESI's bank account was inactive, and all proceeds from the sale of the Solar Panel Agreements went into the SCI bank account, of which he was the sole signatory.

[31] In his testimony, Strumos admitted that:

- he began working with PPP as a Business Development Executive in July 2006;

- in 2008, Chaddock hired him to work as a Client Services Manager with SCI, when it took over PPP's business;
- he was involved in selling both the Land Agreements and the Solar Panel Agreements;
- his involvement included explaining the land product and solar panel product to existing clients and answering their questions, sending emails to existing clients about new products and attaching promotional material, sending clients documents (including request forms and agreements) to be completed, meeting with clients to complete paperwork, signing documents for Chaddock under a power of attorney, and receiving checks which were sent to his attention;
- when Baum was unavailable, Strumos also took calls from people who had seen the newspaper ads;
- commissions of approximately 8% were paid on each Land Agreement and approximately 4% on each Solar Panel Agreement, but commissions were shared amongst the salespersons involved in the sale; and
- his commissions during the Material Time totalled approximately $140,000.

[32] In his compelled examination by Staff on November 8, 2011, Baum admitted that:

- he began working at PPP in about 2006 selling land products;
- Chaddock hired him as sales manager for SCI, when it took over PPP's business;
- he sold both the land product and the solar panel product;
- his involvement included attending at trade shows, creating newspaper ads and drafting promotional materials with Chaddock and Strumos, taking calls from people who had seen the newspaper ads, explaining the land product and solar panel product; sending promotional material to new clients, sending clients documents (including request forms and agreements), and witnessing Chaddock's or Strumos's signature on Land Agreements or Solar Panel Agreements; and
- commissions of 2% to 10% were paid on sales of the land product and the solar panel product, but commissions were shared amongst the salespersons involved in the sale.

B. "TRADING" AND "DISTRIBUTION"

[33] The critical issue to be determined is whether by promoting and entering into the Land Agreements and Solar Panel Agreements, the Respondents traded in a security.

[34] In order to succeed, Staff has to prove its allegations of fact to the civil standard of the balance of probabilities (*F. (H.) v. McDougall,* 2008 SCC 53, [2008] 3 S.C.R. 41).

[35] "Trade" or "trading" is a defined term under the *Act* and includes "any sale or disposition of a security for valuable consideration, whether the terms of payment be on margin, instalment, or otherwise" and "any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of any of the foregoing".

[36] "Distribution" is defined, in subsection 1(1) of the Act, to mean, amongst other things, "a trade in securities of an issuer that have not been previously issued".

[37] If it is determined that the purchases and sales under the Land Agreements and Solar Panel Agreements were securities, then I am satisfied that the Respondents traded and distributed securities in contravention of sections 25 and 53 of the *Act.*

[38] "Security" is also a defined term in the *Act* and includes 16 definitions. The only definition that applies in these circumstances is that a security includes "any investment contract". "Investment contract" is not further defined and it falls to me to determine what it constitutes. There are, however, many judicial precedents, from the Supreme Court of Canada, from other civil courts and from securities regulators including the Commission, which have addressed the elements that are necessary to find an investment contract.

[39] In approaching the interpretation of a statutory provision, the modern approach requires an interpretation that complies with the legislative text, promotes the legislative purpose, and produces a reasonable and sensible meaning (*Kerr v. Danier Leather Inc.* (2005), 77 O.R. (3d) 321 (Ont. C.A.) at para. 85).

[40] Section 1.1 describes the two main purposes of the *Act:* to protect investors and to foster fair and efficient capital markets.

> 1.1 The purposes of this Act are:
>
> (a) to provide protection to investors from unfair, improper or fraudulent practices; and
>
> (b) to foster fair and efficient capital markets and confidence in capital markets.

[41] In order to accomplish its goals, Ontario securities law requires that persons who wish to trade in securities be registered and that the securities be issued pursuant to a prospectus that has been receipted by the Director.

[42] Registration is not perfunctory. Registration ensures that the registrant has the necessary skill, proficiency, solvency, knowledge and integrity to properly deal with investors, to advise on the level of risk associated with a proposed investment, and to recommend investments that are suitable to the investors' financial situation and risk tolerance.

[43] A prospectus, vetted by the Commission before it issues, ensures full, plain and true disclosure of all material facts necessary for the investor to know prior to making an investment. It includes a full history of the company, a robust description of the investment and details of the risks associated with the investments.

[44] Both the registration and prospectus requirements are the implementation tools which serve the purposes of the Act, namely protection of the investing public.

[45] It is against this context and with these goals in mind that I must determine the meaning of the words "investment contract".

[46] The Supreme Court of Canada in the leading case of *Pacific Coast Coin Exchange v. Ontario (Securities Commission),* [1978] 2 S.C.R. 112 ("***Pacific Coast Coin***") set out four elements that have to be met in order for an arrangement to be an "investment contract". The four elements are:

> (d) an investment of money;
>
> (e) with an intention or an expectation of profit;
>
> (f) in a common enterprise in which the fortunes of the investor are interwoven with and dependent upon the efforts and success of those seeking the investment or of third parties; and
>
> (g) whether the efforts made by those other than the investor are the undeniably significant ones, those essential managerial efforts which affect the failure or success of the enterprise.

[47] The Court conflated the third and fourth parts of the test and indicated that the test of common enterprise is met:

> … when it is undertaken for the benefit of the supplier of capital (the investor) and of those who solicit the capital (the promoter). In this relationship, the investor's role is limited to the advancement of money, the managerial control over the success of the enterprise being that of the promoter; therein lies the community.

[48] The Court also indicated that one had to look at the economic realities of the transaction rather than the *caveat emptor* principle.

[49] The test formulated by the Supreme Court of Canada in Pacific Coast Coin has been uniformly adopted in a large number of Commission decisions including: *Re Sabourin,* (2009) 32 OSCB 2707 at paras. 30 to 39; *Re New Found Freedom Financial* (2012), 35 O.S.C.B. 11522 at paras. 171-175; *Re Axcess Automation LLC* (2012), 35 O.S.C.B. 9019 at paras. 139-141; *Re Empire Consulting Inc.* (2012), 35 O.S.C.B. 7775 at paras. 51-53; and *Re McErlean* (2012), 35 O.S.C.B. 6859 at paras. 194-197.

[50] A further helpful statement can be found in *A.G. Alta. v. Great Way Merchandising Ltd.,* [1971] 3 W.W.R. 133 (Alta. Sup. Ct.) ("***Great Way Merchandising***") at para. 10, wherein the Alberta Court of Appeal indicated that:

> … once an agreement contains provisions for investment, the fact these provisions have been intermixed and intermingled with provisions relating to non-investment matters does not exempt the resulting contract from the provisions of The Securities Act. The Act may not be so easily avoided. The Securities Act is remedial legislation and should be interpreted as such.

[51] The Alberta Court of Appeal emphasized that form is to be disregarded in favour of substance and emphasis should be placed upon the true economic reality of the arrangement. If the investment of monies with the expectation of profit, objectively viewed, is a substantial element in the arrangement, then it is an investment contract. (*Great Way Merchandising* at para. 12)

C. THE LAND AGREEMENTS

[52] The investors were drawn to this opportunity, which they saw initially by advertisements in *The Toronto Star* and *The Globe and Mail.* These advertisements promised, successively, a 25 percent return, then an 18 percent and ultimately a 1.5 percent return per month over a one year period for the investment of monies. No indication is given in the advertisement where the monies are to be placed or for what purpose they are being sought. A telephone number of SCI was given.

[53] When the investor contacted SCI, he was invited to attend at the offices on Bloor Street and was informed by Strumos or Baum that he could purchase a plot of land in a vacant field near London, England for a payment of £8,000 and that at the end of one year he could choose to be paid back his purchase price plus an additional £2,000 representing a 25 percent return on his investment. They also told the investor that he could wait until planning permission was granted and then his plot together with the plots of other purchasers of land could be aggregated together and sold to a developer at a handsome profit. No information was provided as to the planning process, the status of any applications for zoning, whether the process has been initiated or when it would be initiated.

[54] The investor was told that if he provided his £8,000 or its Canadian equivalent to the Davis LLP law firm, it would be held in escrow until such time as he received the Land Agreement, a plot plan and title documents. Only after title documents had been provided to the investor, would the monies be released to the vendor of the property, SCI. At all relevant times, SCI had plots in its inventory which it was selling.

[55] The Land Agreements all had a Schedule 2 with provisions as follows:

> **12 MONTH STAR BUY-BACK OPTION AGREEMENT**
>
> ...
>
> **Anniversary Date** – at the first Anniversary of the date of this agreement.
>
> **One Year Option Period** – the period of 12 months from the date of this agreement.
>
> **Option** – means the buy back option granted by the Transferor to the Transferee by this Agreement.
>
> **Purchase Price** – the sum of £10,000.00.
>
> …
>
> **2. OPTION**
>
> … The Transferor (SCI) grants to the Transferee (investor) the option on the Anniversary date of the One Year Option Period to call for the Transferor to buy back the Property at the Purchase Price plus interest at the rate of eighteen percent (18%) per annum, calculated annually.
>
> …
>
> **4. TITLE GUARANTEE**
>
> If the Option is exercised in accordance with the terms of this agreement the Transferor will buy the Property from the Transferee at the Purchase Price, plus any applicable accrued interest in accordance with the terms and conditions of this agreement. The Transferee will sell the Property with full title guarantee.

[56] As previously indicated, the buy-back option varied between a 25 percent return in one year to an 18 percent return to one percent per month. Otherwise, the essential elements of the Land Agreements did not change. Attached to the Land Agreement was a plot number and a plot map showing hundreds of individual plots with a scale of either 1:2500 or 1:1250. It is impossible for the ordinary person to determine the size of each individual plot, although Chaddock testified that each plot size was 8 metres x 8 metres. Even at that size, each plot is not viable on its own.

[57] From an objective determination of the events and conduct leading up to the purchase of plots, the advertisements and the terms of the Land Agreements, it can be concluded that the predominant purpose of these Land Agreements was, from a

reasonable investors' view point, the investment of the money with the expectation of a healthy profit to be realized within one year.

[58] It is illusory to believe that the investors purchased the plots to hold them until planning permission was given for a development so that the plots could be sold in aggregation with other plots to a developer and that an even greater return would be achieved. There was no information regarding the status of any planning permission or even any application for planning permission. No information was given to the investors of what planning process was being undertaken or by whom. No timelines for the achievement of planning permission were set out in any of the documents.

[59] I am satisfied from the objective evidence as well as from the evidence of an investor, who gave evidence that the first two elements of the test have been satisfied, namely that there was an investment of money by the investors with an intention or expectation of profit being received from SCI one year later. I am also satisfied that the third and fourth elements of the *Pacific Coast Coin* test have been proven. The Land Agreements represent a common enterprise in which the expectations of the investor in receiving back his money together with his profit are entirely dependent upon SCI which owned the plots and was selling the plots. In a brochure that SCI produced and provided to investors before they made their investment, there are a series of Frequently Asked Questions. One of those questions was whether the repurchase option and the profit associated with it was dependent upon planning permission. The answer given by SCI was that it was not dependent upon planning permission, but rather was a contractual obligation of SCI.

> **IS MY RETURN BASED ON PLANNING PERMISSION BEING OBTAINED?**
>
> No, it's not. It's based on the stated contractual buy-back amount of the Colchester OTR plot, up to 12 months of OTR payments.

Thus, since SCI had nothing further to do with the land, including obtaining planning permission or securing a developer of multiple plots, the investors' predominant purpose in making the investment with the expectation of a profit within one year lay entirely within the resources available to SCI.

[60] Until the summer of 2010, SCI did not engage in any other revenue producing business. Its ability to refund the purchaser the purchase price and provide him with a return depended upon it selling more plots to generate monies to pay back early purchasers. Looked at frankly, SCI was off loading small plots of contiguous land at a profit to itself, representing to investors, that it would buy them back a year later and provide investors with a healthy profit, when it knew or must have known that it had no ability to honour its promises.

[61] In the Material Time, SCI received $2,702,820 from 69 investors who bought 220 individual land plots. It bought back plots for a sum of $290,410.72 and made periodic monthly payments of $177,616.80. The difference of $2,234,792.50 is unaccounted for. The bank account of SCI at the end of the Material Time in April 2011 had a credit balance of $29,973.29.

[62] The Respondents contend that the investors were buying freehold real estate. They further contend that the investors had title to the land and could and can dispose of the plots that they own. They also contend that caveat emptor applies. What they overlook is that the substance of the agreements trump the form and that the principle of *caveat emptor* is displaced by the economic realities of the transactions. It is completely unrealistic and not in accordance with common sense to believe that 69 investors bought small vacant plots near London, England with the expectation that some unspecified, unknown developer would come along, obtain planning permission, aggregate lots together and then pay them a lot of money individually to obtain their lots. There is no air of reality with respect to such a contention.

D. THE SOLAR PANEL AGREEMENTS

[63] Solar panel investments were also initiated by advertisements in *The Toronto Star* and *The Globe and Mail* indicating that ESI was offering a nine percent return for a six month investment. A telephone number for contact was provided. There is no mention in the advertisements of a purchase of solar panels.

[64] If an investor contacted the ESI office, he was provided with a brochure indicating that, as a result of the *Green Energy Act,* an excellent opportunity existed to invest in the program by the purchase of solar panels. Upon contacting Baum or Strumos, it was further explained to the investor that he had to purchase a minimum of four 300 watt solar panels for $750 for each panel. The investor was then told that six months after he paid his money to ESI (the Election Date), he would have three options:

(a) refuse delivery of the solar panels purchased and receive back the purchase price together with a nine percent return as profit;

(b) take delivery of the solar panels upon payment of the HST and a delivery charge; and

(c) enter into an agreement with Sunvestments Inc., an affiliate of SCI and of ESI, whereby he would lease the solar panels to Sunvestments for a period of 20 years and earn nine percent interest on the purchase price per annum.

[65] Investors sent in their monies in the months of August, September and early October, but did not receive the Solar Panel Agreement until after the monies had been sent in, at some time in October 2010. Section 2.4 of the Solar Panel PV Purchase Agreement provides as follows:

> **2.4 Customer Election.** Within (6) months of the Effective Date, Company will deliver a written notice (the "**Election Notice**") to the Customer requesting that the Customer elect to do one of the following:
>
> (a) refuse delivery of the Equipment, disclaim any title to the Equipment, and be entitled to a refund equal to the Purchase Price plus interest at a rate of 18% per annum, calculated monthly not in advance for the period beginning on the Effective Date and ending on the date of the Election Notice, which Company shall pay to the Customer within 30 days of receiving the Election Response required below;
>
> (b) accept delivery of all of the Equipment in accordance with this Agreement;
>
> (c) enter into a lease of all of the Equipment to Sunvestments Canada Inc., an affiliate of the Company, by entering into the form of lease attached as Schedule 'A' hereto (a "**Lease**"), and direct the Company to deliver all of the Equipment in accordance with the terms of that Lease.

[66] From the advertisements and from the evidence of three investors, I am satisfied that the investors' primary goal in entering into the Solar Panel Agreement was to obtain a nine percent return in six months' time. I am further satisfied that that is what they told Strumos and Baum. None of the investors would have had any interest in the second option, which was to accept delivery of the solar panels. I was told by Barry Murphy, an officer of GSI, that in order to qualify for the Feed In Tariff program, one needed 10,000 watts of solar energy and would thus require somewhere between 30 and 40 300 watt solar panels if an investor wanted to go it alone. No investor bought that quantity of solar panels.

[67] Nor was there any interest expressed by any investor in putting their panels into a common leasing program through Sunvestments Inc. None of the investors, upon Election Date, did so.

[68] Although the Solar Panel Agreement provided for the three options, I am satisfied that the predominant purpose for the investment was to obtain the nine percent return by refusing delivery of the solar panels. That was the common intention and it was known to ESI and GSI. Indeed, GSI conducted its business on that understanding. At no time between July and November 2010, or indeed at no time at all, did it acquire, make arrangements for, obtain a commitment with, or enter into a contract for the purchase of a significant number of solar panels. Nor did it ever intend to manufacture solar panels itself. If it honestly believed that the investors were going to take possession of the panels or put them into a leasing program, such arrangements would necessarily have been made. Nor was there any evidence that any property owner, who was going to allow solar panels to be put on his property or on his roof was secured as a necessary person to the leasing program.

[69] I am satisfied that the investors paid money to ESI with the expectation of a return of that money in six months' time together with profit. Since ESI did not have an operating bank account, all the monies were directed to the bank account of SCI. The first two elements of the *Pacific Coast Coin* test have been met.

[70] It is also clear, and without doubt, that this was a common enterprise wherein both the return of the purchase price together with the promised profit, was entirely within the management and control of the promoter. The only ways by which the promoter, ESI or GSI could hope to pay back the investors was by selling more Solar Panel Agreements. Those companies had no other source of monies. The only other way that ESI and GSI could have earned revenue was through a leasing program, but no adequate, concrete steps had been taken to demonstrate that they were pursuing that course of action.

[71] am satisfied that all the relevant tests have been made out and that the Solar Panel Agreement was an investment contract, not a contract for the purchase of solar panels. The inclusion of provisions from the *Consumer Protection Act* permitting rescission of the contract within ten days does not alter the substance of the agreement and turn it into a contract for the purchase of solar panels.

[72] Further support for this determination is the fact that when the repurchase option was exercised by the investors under both the Land Agreement and the Solar Panel Agreement, SCI and ESI attempted to persuade the land investor to convert the acquisition value of his plot(s) into solar panels and vice versa. The attempted conversion belies any belief that the Corporate Respondents and Chaddock, Baum or Strumos had that the agreements were, in substance, for the purchase of plots or of solar panels.

[73] The role of the investor was to provide monies pure and simple. In the plot transactions, the monies were to pay SCI for the purchase of plots it had in inventory.

[74] If SCI, ESI and GSI truly believed they could make a business from the FIT program, it only had to sign up roof owners, apply on their behalf for a FIT contract, lease the roofs and place solar panels on them. With a 20 year FIT contract, there would have been little trouble financing the purchase of solar panels from a traditional lender.

[75] But with no track record, no business plan, no contracts or commitments, the only source of funds came from the investors. But for the promise of the repurchase option, the monies would not have been advanced.

[76] SCI and ESI took in a net amount of $801,233 from the sale of solar panels. Yvonne Lo, a forensic accountant with Staff traced the use of these funds through the corporate records maintained by SCI and ESI. The entire sum was consumed in the period between June 24, 2010 and April 30, 2011 for corporate purposes including for the payment of salaries and commissions, rent, legal and accounting, various visa payments, etc. I am satisfied that this sum of money maintained the ongoing operations for the ten months in question.

E. LEGAL ADVICE

[77] The Respondents raise as a complete defence reliance on legal advice. The Land Agreements were drawn up by Lisa Davies, a well experienced real estate lawyer who, at the Material Time, was an associate at Davis LLP. Davies gave evidence and indicated that the content of the Land Agreements were similar to the forms of agreement used in Ontario and approved by the Real Estate Council of Ontario. In answer to a question by Chaddock, she stated that purchase and leasing options were also common in Ontario. Quite often, a purchaser will buy a building and then lease it back to the vendor for a period of years. I note, however, that Davies did not give evidence regarding the purchase of a vacant piece of land and an option, contained as part of that purchase agreement, that the vendor be obliged to purchase back the same parcel of land within one year at a profit to the initial purchaser.

[78] Davies was not a securities lawyer and had never practised in that area. She was not asked to give an opinion whether the agreement that she drafted constituted the sale of a security. Nor was she asked whether she had seen any of the advertisements or brochures which promoted the opportunity.

[79] Andrew Lord of Davis LLP was, at the Material Time, a junior commercial lawyer who drafted the Solar Panel Agreement. He knew nothing of the advertisements, brochures or mechanisms that were employed to sell the opportunity to investors. He said that he was not a securities lawyer and was never asked to give an opinion whether the sale of solar panels, pursuant to the Solar Panel Agreement constituted a security. He said that he was told at the relevant time that there was an opinion from Goodman and Carr that the sale of solar panels in this manner did not constitute a security. He never saw that opinion and it has not been produced. In February 2011, after the OSC had begun its investigation, Davis LLP did provide an opinion to Chaddock and his companies. This opinion, which has been produced by the Respondents, clearly indicates that the outright sale of solar panels to investors would not be a security. However, if there were conditions such as the obligation to buy back the panels or to put them into a leasing program, then Davis LLP was not providing an unqualified opinion.

[80] As a matter of law, reliance on legal advice does not constitute a defence to allegations of non-compliance with sections 25 and 53 of the *Act.* With regard to those sections, liability is absolute and if the Commission determines that there has been a contravention then the principal bears responsibility regardless of the advice given to the principal by his agent (Re *Sabourin* (2009), 32 OSCB 2707; *Re Gordon Capital Corporation* (1991), 14 OSCB 2713 (Ont. Div. Ct.), *Re Simply Wealth Financial Group Inc.* (2012), 35 OSCB 6007).

[81] Where the legislature wishes to provide a due diligence defence, it specifically provides for such a defence and examples are found in the *Act* under sections 130(c) and (d) and 138(6).

[82] In any event, for legal advice to be of probative value, high standards have to be met. The requirements include:

(a) what is being sought is an opinion that the detailed facts to be provided do not result in a contravention of the *Act*;

(b) the opinion of a lawyer practising securities law;

(c) a detailed disclosure to the lawyer of all the facts and circumstances giving rise to the transaction;

(d) the notes and records of the lawyer indicating the facts and circumstances he took into account and the legal research he did in coming to his conclusion;

(e) a written opinion.

Absent these criteria, the legal advice has no or little probative value.

[83] The good faith reliance on well established, well formulated legal advice may be of significant assistance to a Respondent in the consideration of the sanctions that should apply upon a finding of contravention of the Act.

[84] For these reasons, I find that the Respondents traded in securities without registration, and distributed securities without filing a preliminary prospectus and prospectus with the Commission and receiving a receipt for them from the Director. As the Respondents have not established the availability of any registration or prospectus exemption or any defence of due diligence or reliance on legal advice, I find that the Respondents contravened subsection 25(1)(a) (before September 28, 2009) and section 25(a) (on and after September 28, 2009, contrary to the public interest, and contravened subsection 53(1) of the Act, contrary to the public interest.

F. PROHIBITED REPRESENTATIONS

[85] Section 44(2) of the *Act* provides:

> No person or company shall make a statement about any matter that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading or advising relationship with the person or company if the statement is untrue or omits information necessary to prevent the statement from being false or misleading in the circumstances in which it is made.

[86] Section 44(2) has some equivalency with the common law tort of negligent misrepresentation with one important distinction that being the onus on the Respondent to show he used due care before making the false or misleading statement. The elements of that tort, that should also be applied to interpreting section 44(2) of the *Act*, require Staff to establish, upon a balance of probabilities, that:

(a) a false statement or statements were made;

(b) that the investor relied on the false statement as the substantial reason for entering into or maintaining the trading relationship;

(c) the onus then shifts to the Respondent to establish that he made the statement without negligence, i.e. that he exercised care and adequate due diligence.

[87] I am not satisfied that Staff has proven the first two elements to a balance of probabilities. While, without doubt, much material information which would normally be in a prospectus was not provided to the investors, that is a different thing than establishing that false information was given to the investors. The investors had no financial statements regarding SCI, ESI or GSI. They had no historical information about the activities of the company. They were not presented with any business plans or forecasts. Indeed they were told very little about either the Respondent companies or about the investment opportunities, other than they could expect a handsome profit within a short period of time. But the lack of information is a far cry from establishing that the information given to the investors was false or misleading.

[88] I am not satisfied that the claims in the brochures that ESI developed “a simple, clever business model” or that ESI was “well funded” and had “the capacity to plan, build and implement small, medium and large scale solar PV forms” represents more than touting or puffery. These statements, in their full context, do not rise to the necessary level of a false statement upon which an investor would reasonably rely. In the end, what motivated the investors was the return of the purchase price together with a handsome profit, not anything else that was told to them.

[89] For these reasons, I dismiss this allegation.

G. DIRECTORS AND OFFICERS

[90] Chaddock was the directing mind and controlling officer of the Corporate Respondents. The evidence, including Chaddock’s admissions, described at paragraph 30 above, establishes that Chaddock created the Land Agreement and Solar Panel Agreement products, and authorized, permitted or acquiesced in the sale of the Land Agreements and the Solar Panel Agreements by the Corporate Respondents in contravention of Ontario securities law. Pursuant to section 129.2 of the *Act,* he is deemed to have contravened the *Act.*

PART 5 – CONCLUSION

[91] For the reasons expressed above, I find that the Respondents have breached sections 25 and 53 of the *Act.*

[92] Chaddock was the shareholder, directing mind and controlling officer of the Corporate Respondents. He initiated the Land Agreements and the Solar Panel Agreements. On occasion, he also discussed and negotiated purchases with investors.

[93] Baum and Strumos were the principal sales people in this small operation and conducted negotiations with the investors leading to the sale of securities to them. As a result, they traded in securities. Strumos and Baum often signed the Land Agreements or Solar Panel Agreements on behalf of the Corporate Respondents, particularly when Chaddock was out of town.

[94] In the Material Time, SCI paid $151,181.50 as sales commissions to Baum and $141,255.16 to Strumos. Chaddock received $205,333.28.

[95] Accordingly, for the reasons given, I find that:

(i) each of the Respondents, between October 2008 and September 28, 2009, traded in securities without registration, in circumstances where no registration exemption was available, contrary to subsection 25(1)(a) of the Act (in force prior to September 28, 2009) and contrary to the public interest, and, from September 28, 2009 to April 2011, engaged in the business of trading in securities without registration, in circumstances where no registration exemption was available, contrary to subsection 25(1) of the *Act* (in force on and after September 28, 2009) and contrary to the public interest;

(ii) each of the Respondents, between October 2008 and April 2011, distributed securities without filing a preliminary prospectus and prospectus with the Commission and receiving a receipt for them from the Director, in circumstances where no prospectus exemption was available, contrary to subsection 53(1) of the *Act* and contrary to the public interest; and

(iii) Chaddock, being the directing mind of the Corporate Respondents, authorized, permitted or acquiesced in the Corporate Respondents' non-compliance with Ontario securities law, contrary to section 129.2 of the *Act* and contrary to the public interest.

[96] I am not satisfied that the Respondents made prohibited representations contrary to subsection 44(2) of the *Act.*

[97] An Order will issue as follows:

(i) Staff shall file and serve written submissions on sanctions and costs by July 10, 2013;

(ii) the Respondents shall file and serve written submissions on sanctions and costs by July 31, 2013;

(iii) Staff shall file and serve written reply submissions on sanctions and costs by August 14, 2013;

(iv) a hearing to determine sanctions and costs will be held at the offices of the Commission at 20 Queen Street West, 17th floor, Toronto, on September 4, 2013, at 10:00 a.m., or such further or other dates as agreed by the parties and set by the Office of the Secretary; and

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

DATED at Toronto this 20th day of June, 2013.

"Alan J. Lenczner", QC

3.1.3 Heritage Management Group and Anna Hrynisak

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

AND

IN THE MATTER OF
HERITAGE MANAGEMENT GROUP and ANNA HRYNISAK

SETTLEMENT AGREEMENT BETWEEN STAFF AND
HERITAGE MANAGEMENT GROUP AND ANNA HRYNISAK

PART I –INTRODUCTION

1. By Notice of Hearing dated March 27, 2013, the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing, commencing on April 17, 2013, pursuant to sections 37, 127, and 127.1 of the *Securities Act,* R.S.O. 1990, c. S.5, as amended (the "Act"), to consider whether it is in the public interest to make orders, as specified therein, against Heritage Management Group ("Heritage") and Anna Hrynisak ("Hrynisak") (the "Respondents"). The Notice of Hearing was issued in connection with the allegations as set out in the Statement of Allegations of Staff of the Commission ("Staff') dated March 27, 2013.

2. The Commission will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 37 and 127 of the Act, it is in the public interest for the Commission to approve this Settlement Agreement and to make certain orders in respect of the Respondents.

PART II – JOINT SETTLEMENT RECOMMENDATION

3. Staff agree to recommend settlement of the proceeding initiated by the Notice of Hearing dated March 27, 2013 against the Respondents (the "Proceeding") in accordance with the terms and conditions set out below. The Respondents consent to the making of an order in the form attached as Schedule "A", based on the facts set out below.

PART III – AGREED FACTS

Overview

4. This proceeding, as it relates to Hrynisak and Heritage, centres on the use of two Ontario bank accounts to receive and disburse funds obtained from the victims of a fraudulent "advance-fee" scheme (the "Heritage Scheme"). The Heritage Scheme targeted shareholders residing in the United Kingdom, Europe and Africa (the "Shareholders").

5. Hrynisak registered Heritage as a sole proprietorship in Ontario and opened bank accounts in the name of Heritage at a bank branch located in Ontario (the "Heritage Bank Accounts"). Hrynisak was the sole signatory on the Heritage Bank Accounts at all times.

6. Pursuant to the Heritage Scheme, the Shareholders were solicited to send advance-fees to the Heritage Bank Accounts purportedly to facilitate the sale of shares held by the Shareholders.

7. At least 10 Shareholders sent a total of at least USD $500,000 to the Heritage Bank Accounts in connection with the Heritage Scheme between August 2009 and February 2010 (the "Material Time").

8. During the Material Time, Hrynisak carried out transactions in the Heritage Bank Accounts, including the disbursement of funds fraudulently obtained from investors, at the direction of others.

9. The Shareholders received no consideration for their payments and suffered a complete loss of all amounts paid to the Heritage Bank Accounts.

10. Hrynisak is a resident of Ontario.

11. Neither Hrynisak nor Heritage has ever been registered with the Commission in any capacity.

The Heritage Scheme

12. During the Material Time, persons, using aliases and purporting to act on behalf of "Corporate Solutions Mergers and Acquisitions" and "Malay Finance", solicited the Shareholders for the purpose of inducing them to make various payments as part of the Heritage Scheme.

13. The Heritage Scheme involved an artificial offer to purchase shares owned by the Shareholders at inflated prices. As part of the Heritage Scheme, the Shareholders were instructed that certain payments were necessary to complete the sale of their shares and ensure that they received the promised payouts.

14. The Shareholders were instructed to send the funds representing these payments to the Heritage Bank Accounts.

15. As noted above, at least 10 Shareholders sent advance-fees totalling at least USD $500,000 to the Heritage Bank Accounts as a result of the solicitations outlined above. During the Material Time, Hrynisak carried out transactions in the Heritage Bank Accounts, including the disbursement of funds fraudulently obtained from investors, at the direction, and for the benefit, of others.

16. The offer to purchase the Shareholders' shares and the subsequent communications were part of an artifice designed solely to extract money from the Shareholders. The purported purchases of the Shareholders' shares never occurred and the Shareholders suffered a complete loss of the amounts paid to the Heritage Bank Accounts as a result of the Heritage Scheme.

17. Hrynisak was not involved in the solicitation of the Shareholders; however, Hrynisak knew or ought to have known that in carrying out transactions in the Heritage Bank Accounts, as noted above, she was directly or indirectly engaging in a course of conduct relating to securities that perpetrated a fraud on the Shareholders.

PART IV - CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND THE PUBLIC INTEREST

18. By engaging in the conduct described above, the Respondents admit and acknowledge that they contravened Ontario securities law during the Material Time in the following ways:

(a) During the Material Time, the Respondents traded in and engaged in and held themselves out as engaging in the business of trading in securities without being registered to trade in securities, contrary to subsection 25(1)(a) of the Act from August 2009 to September 27, 2009 and subsection 25(1) from September 28, 2009 to February 2010 and contrary to the public interest; and

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

19. The Respondents admit and acknowledge that they acted contrary to the public interest by contravening Ontario securities law as set out in sub-paragraphs 18 (a) and (b) above.

PART V - TERMS OF SETTLEMENT

20. The Respondents agree to the terms of settlement listed below.

21. The Commission will make an order, pursuant to section 37 and subsection 127(1) of the Act, that:

(a) the Settlement Agreement is approved;

(b) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by the Respondents cease permanently from the date of the approval of the Settlement Agreement;

(c) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by the Respondents is prohibited permanently from the date of the approval of the Settlement Agreement;

(d) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to the Respondents permanently from the date of the approval of the Settlement Agreement;

(e) pursuant to clause 6 of subsection 127(1) of the Act, Hrynisak is reprimanded;

(f) pursuant to clauses 8, 8.2, and 8.4 of subsection 127(1) of the Act, Hrynisak is prohibited permanently from the date of the approval of the Settlement Agreement from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;

(g) pursuant to clause 8.5 of subsection 127(1) of the Act, Hrynisak is prohibited permanently from the date of the approval of the Settlement Agreement from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(h) pursuant to clause 9 of subsection 127(1) of the Act, Hrynisak shall pay an administrative penalty in the amount of $35,000 for her failure to comply with Ontario securities law. The administrative penalty in the amount of $35,000 shall be designated for allocation to or for the benefit of third parties or for use by the Commission in accordance with subsection 3.4(2)(b) of the Act;

(i) pursuant to subsection 37(1) of the Act, Hrynisak is prohibited permanently, from the date of the approval of the Settlement Agreement, from telephoning from within Ontario to any residence within or outside Ontario for the purpose of trading in any security or any class of securities; and

(j) Notwithstanding the provisions of paragraph 21 herein, once Hrynisak has fully satisfied the terms of sub-paragraph (h) above, Hrynisak shall be permitted to trade for her own account, solely through a registered dealer or, as appropriate, a registered dealer in a foreign jurisdiction (which dealer must be given a copy of this Order) in (a) any "exchange-traded security" or "foreign exchange-traded security" within the meaning of National Instrument 21-101 provided that she does not own beneficially or exercise control or direction over more than 5 percent of the voting or equity securities of the issuer(s) of any such securities; or (b) any security issued by a mutual fund that is a reporting issuer.

22. Hrynisak undertakes to consent to a regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the sanctions set out in sub-paragraphs 21 (b) to (g) and (i) above.

PART VI - STAFF COMMITMENT

23. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against the Respondents in relation to the facts set out in Part III herein, subject to the provisions of paragraph 24 below.

24. If this Settlement Agreement is approved by the Commission, and at any subsequent time the Respondents fail to honour the terms of the Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against the Respondents based on, but not limited to, the facts set out in Part III herein as well as the breach of the Settlement Agreement.

PART VII - PROCEDURE FOR APPROVAL OF SETTLEMENT

25. Approval of this Settlement Agreement will be sought at a hearing of the Commission scheduled on a date to be determined by the Secretary to the Commission, or such other date as may be agreed to by Staff and the Respondents for the scheduling of the hearing to consider the Settlement Agreement.

26. Staff and the Respondents agree that this Settlement Agreement will constitute the entirety of the agreed facts to be submitted at the settlement hearing regarding the Respondents' conduct in this matter, unless the parties agree that further facts should be submitted at the settlement hearing.

27. If this Settlement Agreement is approved by the Commission, the Respondents agree to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

28. If this Settlement Agreement is approved by the Commission, neither party will make any public statement that is inconsistent with this Settlement Agreement or inconsistent with any additional agreed facts submitted at the settlement hearing.

29. Whether or not this Settlement Agreement is approved by the Commission, the Respondents agree that they will not, in any proceeding, refer to or rely upon this Settlement Agreement or the settlement negotiations as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT

30. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or the order attached as Schedule "A" is not made by the Commission:

(a) this Settlement Agreement and its terms, including all settlement negotiations between Staff and the Respondents leading up to its presentation at the settlement hearing, shall be without prejudice to Staff and the Respondents; and

(b) Staff and the Respondents shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations in the Notice of Hearing and the Statement of Allegations of Staff, unaffected by the Settlement Agreement or the settlement discussions/negotiations.

31. The terms of this Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission. Any obligations of confidentiality shall terminate upon approval of this Settlement Agreement by the Commission. The terms of the Settlement Agreement will be treated as confidential forever if the Settlement Agreement is not approved for any reason whatsoever by the Commission, except with the written consent of the Respondents and Staff or as may be required by law.

PART IX - EXECUTION OF SETTLEMENT AGREEMENT

32. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.

33. A facsimile copy of any signature will be as effective as an original signature.

Dated this 21 day of June, 2013.

Signed in the presence of:

"Carolyn Kerr"
Witness:

"Anna Hrynisak"
Anna Hrynisak

Personally and on behalf of Heritage Management Group

Dated this 21st day of June, 2013

"Tom Atkinson"
STAFF OF THE ONTARIO SECURITIES COMMISSION
per Tom Atkinson
, Enforcement Branch

Dated this 21st day of June, 2013

SCHEDULE "A"

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

AND

IN THE MATTER OF
HERITAGE MANAGEMENT GROUP and ANNA HRYNISAK

AND

IN THE MATTER OF
A SETTLEMENT AGREEMENT BETWEEN STAFF OF
THE ONTARIO SECURITIES COMMISSION A
ND HERITAGE MANAGEMENT GROUP AND ANNA HRYNISAK

ORDER
(Sections 37 and 127(1))

WHEREAS by Notice of Hearing dated March 27, 2013, the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing, commencing on April 17, 2013, pursuant to sections 37, 127, and 127.1 of the *Securities Act,* R.S.O. 1990, c. S.5, as amended (the "Act"), to consider whether it is in the public interest to make orders, as specified therein, against Heritage Management Group ("Heritage") and Anna Hrynisak ("Hrynisak") (the "Respondents"). The Notice of Hearing was issued in connection with the allegations as set out in the Statement of Allegations of Staff of the Commission ("Staff') dated March 27, 2013;

AND WHEREAS the Respondents entered into a settlement agreement with Staff dated _____, 2013 (the "Settlement Agreement") in which the Respondents agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing dated March 27, 2013, subject to the approval of the Commission;

WHEREAS on _____, 2013, the Commission issued a Notice of Hearing pursuant to sections 37 and 127 of the Act to announce that it proposed to hold a hearing to consider whether it is in the public interest to approve the Settlement Agreement;

AND UPON reviewing the Settlement Agreement, the Notice of Hearing, and the Statements of Allegations of Staff, and upon hearing submissions from the Respondents and from Staff;

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

IT IS HEREBY ORDERED THAT:

(a) the Settlement Agreement is approved;

(b) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by the Respondents cease permanently from the date of this Order;

(c) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by the Respondents is prohibited permanently from the date of this Order;

(d) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to the Respondents permanently from the date of this Order;

(e) pursuant to clause 6 of subsection 127(1) of the Act, Hrynisak is reprimanded;

(f) pursuant to clauses 8, 8.2, and 8.4 of subsection 127(1) of the Act, Hrynisak is prohibited permanently from the date of this Order from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;

(g) pursuant to clause 8.5 of subsection 127(1) of the Act, Hrynisak is prohibited permanently from the date of this Order from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(h) pursuant to clause 9 of subsection 127(1) of the Act, Hrynisak shall pay an administrative penalty in the amount of $35,000 for her failure to comply with Ontario securities law. The administrative penalty in the amount of $35,000 shall be designated for allocation to or for the benefit of third parties or for use by the Commission in accordance with subsection 3.4(2)(b) of the Act;

(i) pursuant to subsection 37(1) of the Act, Hrynisak is prohibited permanently, from the date of this Order, from telephoning from within Ontario to any residence within or outside Ontario for the purpose of trading in any security or any class of securities; and

(j) Notwithstanding the provisions of this Order, once Hrynisak has fully satisfied the terms of sub-paragraph (h) above, Hrynisak shall be permitted to trade for her own account, solely through a registered dealer or, as appropriate, a registered dealer in a foreign jurisdiction (which dealer must be given a copy of this Order) in (a) any "exchange-traded security" or "foreign exchange-traded security" within the meaning of National Instrument 21-101 provided that he does not own beneficially or exercise control or direction over more than 5 percent of the voting or equity securities of the issuer(s) of any such securities; or (b) any security issued by a mutual fund that is a reporting issuer.

DATED at Toronto this_____ day of _____, 2013.

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Chapter 4

Cease Trading Orders

4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
Poynt Corporation	12-Jun-13	24-Jun-13	24-Jun-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
Argentium Resources Inc.	13 May 13	24 May 13	24 May 13	21 Jun 13	
Mint Technology	13May13	24 May 13	24 May 13	20 Jun 13	

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
Argentium Resources Inc.	13 May 13	24 May 13	24 May 13	21 Jun 13	
Mint Technology	13May13	24 May 13	24 May 13	20 Jun 13	

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesSource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

REPORTS OF TRADES SUBMITTED ON FORMS 45-106F1 AND 45-501F1

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
12/08/2012	61	6543082 Manitoba Ltd. (Amended) - Common Shares	2,400,000.00	2,400.00
06/14/2013	2	AirIQ Inc. - Common Shares	165,000.00	3,300,000.00
05/28/2013	2	Andover Mining Corp. - Common Shares	99,750.00	665,000.00
05/03/2013	10	Apple Inc. - Notes	155,131,525.98	10.00
05/02/2013	32	Aston Bay Holdings Ltd. (Formerly Escudo Capital Corporation) - Exchangeable Shares	700,000.00	32.00
05/07/2013	16	Banks of Island Gold Ltd. - Flow-Through Shares	252,024.56	16.00
06/14/2013	6	Big North Graphite Corp. - Common Shares	55,000.00	1,000,000.00
02/28/2013	3	Bison Income Trust II - Trust Units	59,440.00	5,944.00
03/01/2013 to 03/08/2013	22	Bison Income Trust II - Trust Units	996,343.36	99,634.34
02/11/2013 to 02/20/2013	12	Bison Income Trust II - Trust Units	1,727,786.00	172,778.60
01/23/2013 to 01/28/2013	10	Bison Income Trust II - Trust Units	432,500.00	43,250.00
02/06/2013 to 02/10/2013	4	Bison Income Trust II - Units	1,108,750.00	110,875.00
12/05/2012	1	Bison Income Trust II - Units	500,000.00	50,000.00
07/17/2012 to 07/18/2012	2	Bison Income Trust II - Units	1,650,000.00	165,000.00
03/05/2013 to 03/15/2013	12	Bison Income Trust II - Units	673,790.00	67,379.00
02/25/2013 to 02/28/2013	4	Bison Income Trust II - Units	2,505,000.00	250,500.00
05/23/2013	19	Bonavista Energy Corporation - Notes	128,255,000.00	17.00
05/29/2013	1	BOREAL AGROMINERALS INC. - Common Shares	400,000.00	2,000,000.00
05/27/2013	5	Brant Park Phase 2 Inc. - Bonds	254,000.00	254.00
06/17/2013	11	Brixton Metals Corporation - Flow-Through Shares	284,800.00	1,780,000.00
05/31/2013	1	C VIII Real Estate Opportunities Offshore Feeder Fund, L.P. - N/A	1,025,900.00	N/A
05/24/2013	1	Canada First Financial Holdings Limited - Units	50,000.00	1.00
05/22/2013	3	Canadian Imperial Bank of Commerce - Notes	1,300,000.00	13,000.00
05/24/2013	32	CAP-EX Iron Ore Ltd. - Units	2,073,000.00	32.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
09/03/2012	1	Capula Tail Risk Fund Limited - Common Shares	986,300.00	N/A
05/15/2013	1	Centretown Citizens Ottawa Corporation - Exchangeable Share	18,251,349.00	1.00
05/31/2013	214	Centurion Apartment Real Estate Investment Trust - Units	12,543,432.31	1,075,815.96
06/04/2013	1	Century Aluminum Company - Notes	10,148,796.00	10,148.00
05/31/2013	5	Certarus Ltd. - Common Shares	4,903,562.00	4,903,562.00
04/26/2013	124	CGX Energy Inc. - Warrants	37,008,900.00	115.00
05/28/2013	3	CHS Resources Inc. - Common Shares	241,075.28	8,035,842.00
05/27/2013 to 05/30/2013	3	Colwood City Centre Limited Partnership - Notes	70,000.00	70,000.00
06/04/2013	1	Concur Technologies, Inc. - Notes	10,300,000.00	10,000.00
05/21/2013	17	Digital Shelf Space Corp. - Units	320,150.00	6,403,000.00
05/17/2013	4	Doubleview Capital Corp. - Units	250,000.00	5,000,000.00
05/31/2013	17	Doubleview Capital Corp. - Units	279,999.99	3,111,111.00
05/27/2013	2	Elliptic Technologies Inc. - Warrants	2,166,769.62	2.00
05/02/2013	1	Emerging Markets Core Equity Portfolio - Common Shares	12,604,013.72	611,845.33
06/13/2013	70	Energy Fuels Inc. - Units	6,633,310.74	47,380,791.00
05/28/2013	25	Enterprise Group, Inc. - Common Shares	4,122,041.28	8,587,586.00
04/23/2013	1	Essex Angel Capital Inc. - Units	150,000.00	N/A
01/01/2012 to 12/31/2012	1	Fiera Tactical Bond Fund - Units	82,060,000.00	7,851,200.00
06/05/2013	3	First Reliance Real Estate Investment Trust - Units	14,000.00	1,552.18
05/16/2013	21	Flemish Gold Corp. - Units	5,250,000.00	21.00
05/28/2013	5	FLYHT Aerospace Solutions Ltd. - Debentures	255,000.00	255,000.00
07/13/2012	1	Fortress Brant Park - 2011 Ltd. - Loan	50,000.00	1.00
10/19/2012	1	Fortress Brant Park - 2011 Ltd. - Loan	50,000.00	1.00
08/14/2012	2	Fortress King Charlotte 2020 Limited - Loans	115,000.00	2.00
11/23/2012	2	Fortress King Charlotte 2020 Limited - Loans	158,000.00	2.00
02/27/2012	1	Fortress Wismer 3 -2011 Limited - Loan	25,000.00	1.00
01/20/2012	1	Fortress Wismer 3 -2011 Limited - Loan	50,000.00	1.00
06/03/2013	2	FXCM Inc. - Notes	5,665,000.00	5,500.00
05/29/2013	1	Galaxy Graphite Corp. - Common Shares	75,000.00	500,000.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
05/10/2013	1	Gastar Exploration USA, Inc. - Notes	253,100.00	250.00
05/27/2013 to 05/31/2013	5	Gatineau Centre Development Limited Partnership - Notes	232,000.00	232,000.00
06/03/2013	20	General Electric Capital Corporation - Common Shares	101,675,080.00	98,800.00
04/30/2013	1	Georgian Capital Partners Corporation - Limited Partnership Units	5,000,000.00	50,000.00
05/15/2013	15	Gesner Wind Farm LP - Limited Partnership Units	2,150,000.00	215.00
05/02/2013	1	Gestamp Funding Luxembourg S.A. - Notes	7,058,100.00	7,000.00
05/21/2013	17	Global Met Coal Corporation - Units	364,000.00	7,280,000.00
01/03/2013 to 01/16/2013	1	GMO Benchmark-Free Allocation Fund-III - Units	6,199,565.04	N/A
01/03/2013 to 01/16/2013	1	GMO Benchmark-Free Allocation Fund-III - Units	16,757,761.45	672,529.09
02/01/2013 to 03/19/2013	1	GMO Developed World Equity Investment Fund PLC - Units	447,811.03	14,431.94
03/01/2013	1	GMO Emerging Domestic Opportunities Fund-III - Units	51,013,600.00	2,007,284.50
01/22/2013 to 03/19/2013	1	GMO Emerging Domestic Opportunities Fund-IV - Units	98,134,391.38	3,942,484.57
03/25/2013	1	GMO Emerging Markets Fund-VI - Units	11,980,605.00	1,043,149.47
01/17/2013	1	GMO Global Equity Allocation Fund-III - Units	3,444,411.74	N/A
01/04/2013 to 03/22/2013	1	GMO International Intrisic Value Fund-II - Units	477,489.08	N/A
01/02/2013 to 03/01/2013	1	GMO International Opportunities Equity Allocation Fund-III - Units	531,716.24	35,026.86
05/08/2013 to 05/15/2013	15	Helio Resource Corp. - Units	1,750,000.00	15.00
05/28/2013	19	HHT Investments Inc. - Common Shares	484,999.00	8.00
06/04/2013	54	Honda Canada Finance Inc. - Notes	400,000,000.00	400,000.00
05/17/2013 to 05/23/2013	4	Hortican Inc. - Common Shares	100,625.00	670,833.00
05/31/2013	12	imperial Capital Partners Ltd. - N/A	24,650,000.00	12.00
03/28/2013	6	Imperial Capital Partners Ltd. - Units	3,000,000.00	N/A
05/07/2013	1	Insys Therapeutics, Inc. - Common Shares	603,120.00	75,000.00
06/05/2013	4	Intelsat Jackson Holdings S.A. - Notes	17,252,500.00	16,750.00
06/10/2013	25	Iron Creek Capital Corp. - Common Shares	1,076,400.00	16,847,334.00
05/27/2013	18	Kent Exploration Inc. - Units	351,640.00	18.00
04/30/2013	10	Kingwest Avenue Portfolio - Units	759,572.78	23,687.57

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
04/30/2013	3	Kingwest Canadian Equity Portfolio - Units	525,065.11	41,479.58
04/30/2013	14	Kingwest High Income Fund - Units	297,500.00	49,535.45
04/30/2013	5	Kingwest US Equity Portfolio - Units	522,793.98	29,731.57
05/28/2013 to 05/31/2013	4	League IGW Real Estate Investment Trust - Units	540,494.05	540,949.05
04/18/2013 to 04/23/2013	126	Loyalist Group Limited - Common Shares	13,204,817.00	126.00
05/15/2013	47	Maverick Energy Inc. - Preferred Shares	1,521,900.00	47.00
05/21/2013	4	MBMI Resources Inc. - Debentures	350,000.00	4.00
05/31/2013	20	Meadow Bay Gold Corporation - Common Shares	528,095.00	2,650,475.00
05/21/2013 to 05/29/2013	3	Mega View Digital Entertainment Corporation - Common Shares	203,912.25	3.00
05/30/2013	5	Metanor Resources Inc. - Common Shares	646,015.00	6,460,150.00
06/12/2013	10	Minaurum Gold Inc. - Common Shares	210,440.00	2,104,400.00
05/10/2013 to 05/13/2013	5	Mitra Energy Limited - Bonds	41,405,142.74	5.00
04/22/2013 to 04/30/2013	3	MM Realty Partners LP - Units	800,000.00	3.00
05/14/2013	3	MoSys, Inc. - Common Shares	3,064,696.00	3.00
06/19/2013	2	Mozzaz Corporation - Common Shares	450,000.00	2.00
05/29/2013	14	MPT Mustard Products & Technologies Inc. - Common Shares	307,500.00	615,000.00
06/06/2013	3	National General Holdings Corp. - Common Shares	1,290,000.00	21,850,000.00
04/04/2013 to 04/12/2013	2	Newport Balanced Fund - Trust Units	194,000.00	N/A
04/25/2013 to 05/04/2013	24	Newport Balanced Fund - Trust Units	605,833.67	3,427.40
04/15/2013 to 04/24/2013	30	Newport Balanced Fund - Units	1,107,097.89	10,288.34
04/04/2013 to 04/12/2013	6	Newport Canadian Equity Fund - Units	204,000.00	N/A
04/15/2013 to 04/24/2013	13	Newport Canadian Equity Fund - Units	525,804.53	553,245.97
04/25/2013 to 05/04/2013	4	Newport Canadian Equity Fund - Units	96,212.31	662.41
04/04/2013 to 04/12/2013	4	Newport Fixed Income Fund - Units	156,200.00	N/A
04/15/2013 to 04/24/2013	4	Newport Fixed Income Fund - Units	286,857.38	2,689.39
04/25/2013 to 05/04/2013	5	Newport Fixed Income Fund - Units	201,764.08	741.79

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
04/04/2013 to 04/12/2013	4	Newport Global Equity Fund - Trust Units	175,000.00	N/A
04/15/2013 to 04/24/2013	32	Newport Global Equity Fund - Units	730,415.38	10,649.47
04/25/2013 to 05/04/2013	12	Newport Global Equity Fund - Units	86,034.57	955.51
04/25/2013 to 05/04/2013	9	Newport Strategic Yield Fund - Units	699,031.00	27,694.00
04/04/2013 to 04/12/2013	30	Newport Yield Fund - Trust Units	788,505.99	N/A
04/15/2013 to 04/24/2013	30	Newport Yield Fund - Units	906,753.78	7,346.49
04/25/2013 to 05/04/2013	19	Newport Yield Fund - Units	398,342.37	4,858.40
05/29/2013	31	Nickel North Exploration Corp. - Common Shares	5,000,000.10	16,666,667.00
05/31/2013	1	Obsidian Strategics Inc. - Unit	50,000.00	1.00
06/03/2013	1	Pacific Drilling S.A. - Note	2,058,200.00	1.00
04/25/2013	8	Panacis Inc. - Exchangeable Shares	325,000.00	8.00
05/16/2013 to 05/23/2013	34	Paragon Capital Corporation - Mortgage	4,400,000.00	34.00
06/03/2013	2	Pfizer Inc. - Notes	15,414,117.08	2.00
05/09/2013	7	PicoBrew LLC - Notes	402,000.00	N/A
05/14/2013	1	Polar Wireless Corporation - Common Shares	1,500,000.00	14,631,291.00
05/22/2013	13	Pound Venture Capital Corp. - Common Shares	276,000.00	13.00
05/28/2013	8	QRS Capital Corp. - Warrants	240,000.00	8.00
05/23/2013	26	Quick Revenue Code Inc. - Common Shares	702,000.00	26.00
04/03/2013 to 04/10/2013	29	Redstone Capital Corporation - Bonds	484,500.00	N/A
06/04/2013	2	Ressources Explor Inc. - Common Shares	45,000.00	1,000,000.00
06/05/2013	1	Retrocom Mid-Market Real Estate Investment Trust - Trust Units	14,999,997.75	1,428,571.00
05/30/2013	133	Royal Bank of Canada - N/A	2,989,610.00	133.00
05/31/2013	12	Sama Resources Inc. - Units	2,565,000.00	12,825,000.00
04/16/2013	10	Savary Gold Corp. - Common Shares	1,000,020.00	16,667,000.00
06/07/2013	40	ScribeStar Ltd. - Common Shares	2,402,156.38	472,538.00
02/15/2013 to 02/22/2013	48	SecureCare Investments Inc. - Units	1,528,230.00	N/A
05/31/2013	1	Shop 2 Save Inc. - Common Shares	100,000.00	1,000.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
05/23/2013 to 05/27/2013	48	SIF Solar Energy Income & Growth Fund - Units	1,480,700.00	48.00
05/08/2013	27	SLM-Logistics Corporation - Common Shares	360,650.00	27.00
04/18/2013	2	Solutions2c02 Inc. - Common Shares	480,000.00	2.00
05/24/2013	2	Spire Real Estate Limited Partnership - Units	480,000.00	4,225.35
05/31/2013	3	Spire US Limited Partnership - Units	738,204.60	6,376.71
05/01/2013	1	Stacey Muirhead Limited Partnership - Limited Partnership Units	50,000.00	1,368.18
05/01/2013	1	Stacey Muirhead RSP Fund - Trust Units	8,000.00	845.20
05/21/2013 to 05/24/2013	1	Stoney Range Industrial Limited Partnership - Notes	40,000.00	40,000.00
05/21/2013 to 05/24/2013	7	Stoney Range Industrial Limited Partnership - Units	205,000.00	205,000.00
06/18/2013	20	Teras Resources Inc. - Common Shares	740,000.00	1,480,000.00
06/19/2013	29	Terrace Energy Corp. - Notes	11,755,000.00	29.00
06/07/2013	1	The Allstate Corporation - Note	8,139,401.79	1.00
04/02/2013	1	The Observatory Credit Markets Fund Limited - Common Shares	1,014,800.00	3,467.89
06/01/2013	2	The Toronto United Church Council - Notes	230,000.00	2.00
05/08/2013	1	Tops Holdings II Corporation - Notes	6,945,939.00	70,000.00
05/06/2013 to 05/10/2013	45	UBS AG - Certificates	18,692,174.05	45.00
06/05/2013	4	UEX Corporation - Flow-Through Shares	3,175,000.00	6,350,000.00
04/05/2013	14	UMC Financial Management Inc. - Limited Partnership Interest	6,100,000.00	N/A
04/04/2013	4	UMC Financial Management Inc. - Limited Partnership Interest	335,000.00	N/A
04/30/2013	6	Uragold Bay Resources Inc. - Units	65,125.00	1,085,416.00
06/06/2013	2	Vantage Oncology, LLC and Vantage Oncology Finance Co. - Notes	11,261,800.00	2.00
06/05/2013	8	Victory Ventures Inc. - Units	175,500.00	2,925,000.00
05/29/2013	9	Viscount Mining Ltd. - Common Shares	575,000.00	2,925,000.00
03/29/2013	7	Vortaloptics, Inc. - Common Shares	751,093.00	7.00
05/30/2013	37	Walton CA Highland Ridge Investment Corporation - Common Shares	731,050.00	73,105.00
05/30/2013	10	Walton CA Highland Ridge LP - Units	1,022,606.68	10.00
05/15/2013	2	Wynn Las Vagas LLC/Wynn Las Vegas Capital Corp. - Notes	25,432,500.00	12,716,250.00

Chapter 9

Legislation

9.1.1 Bill 65, Prosperous and Fair Ontario Act (Budget Measures), 2013

BILL 65, PROSPEROUS AND FAIR ONTARIO ACT (BUDGET MEASURES), 2013

Schedule 2 of the *Prosperous and Fair Ontario Act (Budget Measures), 2013* (Bill 65) contained two amendments to the *Commodity Futures Act*. Schedule 13 of the *Prosperous and Fair Ontario Act (Budget Measures), 2013* (Bill 65) contained a number of amendments to the *Securities Act*. Bill 65 received Royal Assent on June 13, 2013 and has become chapter 2, Statutes of Ontario, 2013.

Schedules 2 and 13 may be viewed on the Ontario Legislative Assembly's website at www.ontla.on.ca. The text of Schedules 2 and 13 are also reflected in the consolidated versions of the *Commodity Futures Act* and the *Securities Act*, respectively, available on the Ontario e-laws site at www.e-laws.gov.on.ca.

SCHEDULE 2
COMMODITY FUTURES ACT

The *Commodity Futures Act* is amended to permit the Ontario Securities Commission to make an order without notice authorizing the disclosure of certain information to law enforcement and regulatory agencies listed in the *Securities Act*.

Section 59.1 of the Act is amended to prohibit attempts at fraud and market manipulation.

[Note: Schedule 2 amendments came into force on June 21, 2013.]

SCHEDULE 13
SECURITIES ACT

The *Securities Act* amendments include:

1. Section 17 of the Act is amended to permit the Ontario Securities Commission to make an order without notice authorizing the disclosure of certain information to law enforcement and regulatory agencies.

2. Currently, section 76 of the Act contains rules about insider trading and tipping. The Act prohibits persons or companies that are in a special relationship with a reporting issuer from trading or tipping while they have knowledge of undisclosed material information about the reporting issuer. The definition of "person or company in a special relationship with a reporting issuer" is amended to include, among others, persons or companies that are considering or evaluating whether to make a take-over bid or enter into an arrangement with the reporting issuer.

3. Section 126.1 of the Act is amended to prohibit attempts at fraud and market manipulation.

[Note: Schedule 13 amendments came into force on June 21, 2013.]

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
BHK Resources Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary CPC Prospectus dated June 19, 2013
NP 11-202 Receipt dated June 19, 2013
Offering Price and Description:
$300,000.00 - 3,000,000 Common Shares
Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Macquarie Private Wealth Inc.
Promoter(s):
Peter Hughes
Project #2076363

Issuer Name:
BMO Balanced ETF Portfolio
BMO Conservative ETF Portfolio
BMO Emerging Markets Bond Fund
BMO Equity Growth ETF Portfolio
BMO Fixed Income ETF Portfolio
BMO Growth ETF Portfolio
BMO Preferred Share Fund
BMO Security ETF Portfolio
BMO U.S. Dollar Balanced Fund
BMO U.S. Dollar Dividend Fund
(Series A, F, I and Advisor Series)
BMO SelectTrust Fixed Income Portfolio
(Series A, I and Advisor Series)
BMO Tactical Dividend ETF Fund
(Series A, F and Advisor Series)
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated June 20, 2013
NP 11-202 Receipt dated June 21, 2013
Offering Price and Description:
Series A, series F, series I and Advisor Series Securities
Underwriter(s) or Distributor(s):
BMO Investments Inc.
Promoter(s):
BMO Investments Inc.
Project #2076905

Issuer Name:
Caracal Energy Inc. (formerly, Griffiths Energy International Inc.)
Principal Regulator - Alberta
Type and Date:
Amended and Restated Preliminary Long Form Non-Offering Prospectus dated June 18, 2013
NP 11-202 Receipt dated June 18, 2013
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2056710

Issuer Name:
Difference Capital Financial Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated June 18, 2013
NP 11-202 Receipt dated June 18, 2013
Offering Price and Description:
$* - * % Convertible Unsecured Subordinated Debentures
Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Canaccord Genuity Corp.
TD Securities Inc.
Dundee Securities Ltd.
GMP Securities L.P.
Byron Capital Markets Ltd.
Global Securities Corporation
Promoter(s):
-
Project #2075971

Issuer Name:
Difference Capital Financial Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated June 18, 2013
NP 11-202 Receipt dated June 18, 2013
Offering Price and Description:
$50,000,000.00 - * Common Shares
Price: $* per Common Share
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Canaccord Genuity Corp.
TD Securities Inc.
Dundee Securities Ltd.
GMP Securities L.P.
Byron Capital Markets Ltd.
Global Securities Corporation
Promoter(s):
-
Project #2075980

Issuer Name:
Difference Capital Financial Inc.
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Short Form Prospectus dated June 19, 2013
NP 11-202 Receipt dated June 19, 2013
Offering Price and Description:
$50,000,000 - 8% Convertible Unsecured Subordinated Debentures
Price: $1,000.00 per Debenture
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Canaccord Genuity Corp.
TD Securities Inc.
Dundee Securities Ltd.
GMP Securities L.P.
Byron Capital Markets Ltd.
Global Securities Corporation
Promoter(s):
-
Project #2075971

Issuer Name:
Redknee Solutions Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated June 19, 2013
NP 11-202 Receipt dated June 19, 2013
Offering Price and Description:
$45,069,350.00 - 14,538,500 Common Shares Issuable on Exercise of Outstanding Special Warrants
Price: $3.10 per Special Warrant
Underwriter(s) or Distributor(s):
GMP SECURITIES L.P.
TDSECURITIES INC.
CANACCORD GENUITY CORP.
M PARTNERS INC.
Promoter(s):
-
Project #2076283

Issuer Name:
Security Devices International Inc.
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Long From Prospectus dated June 19, 2013
NP 11-202 Receipt dated June 20, 2013
Offering Price and Description:
CDN$3,000,000.00 -7,500,000 Common Shares
Price: CDN$0.40 Per Common Share
Underwriter(s) or Distributor(s):
Macquarie Private Wealth Inc.
Promoter(s):
Gregory Sullivan
Project #2017644

Issuer Name:
Stonegate Agricom Ltd.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated June 18, 2013
NP 11-202 Receipt dated June 19, 2013
Offering Price and Description:
A minimum of $10,000,000.00 - * Units
Price: $* per Unit
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Cormark Securities Inc.
BMO Nesbitt Burns Inc.
Promoter(s):
-
Project #2076284

Issuer Name:
Vanguard FTSE Canada All Cap Index ETF
Vanguard FTSE Developed ex North America Index ETF
Vanguard Global ex-U.S. Aggregate Bond Index ETF (CAD-hedged)
Vanguard U.S. Aggregate Bond Index ETF (CAD-hedged)
Vanguard U.S. Dividend Appreciation Index ETF
Vanguard U.S. Dividend Appreciation Index ETF (CAD-hedged)
Vanguard U.S. Total Market Index ETF
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated June 19, 2013
NP 11-202 Receipt dated June 19, 2013
Offering Price and Description:
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Vanguard Investments Canada Inc.
Project #2076304

Issuer Name:
Allied Nevada Gold Corp.
Principal Regulator - Ontario
Type and Date:
Final MJDS Prospectus dated June 14, 2013
NP 11-202 Receipt dated June 18, 2013
Offering Price and Description:
Common Stock
Preferred Stock
Warrants
Debt Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2072627

Issuer Name:
BMO Bond Fund
(Series A, F, I and Advisor Series)
BMO Canadian Diversified Monthly Income Fund
(Series T5, T8, F, I and Advisor Series)
BMO Floating Rate Income Fund
(Series A, F, I and Advisor Series)
BMO Global Diversified Fund
(Series T5, F and Advisor Series)
BMO Laddered Corporate Bond Fund
(Series A, F, I and Advisor Series)
BMO Target Enhanced Yield ETF Portfolio
(Series A, F, T6, I and Advisor Series)
BMO Target Yield ETF Portfolio
(Series A, F, T6, I and Advisor Series)
BMO Global Absolute Return Fund
(Series T5, F, I and Advisor Series)
BMO North American Dividend Fund
(Series A, F, I and Advisor Series)
BMO Global Science & Technology Fund
(Series A and I)
BMO Global Small Cap Fund
(Series A, F, I and Advisor Series)
BMO Precious Metals Fund
(Series A, F, I and Advisor Series)
BMO U.S. Dollar Equity Index Fund
(Series A and I)
BMO Global Energy Class
(Series A, F, I and Advisor Series)
BMO Global Equity Class
(Series A, F, I and Advisor Series)
BMO Growth ETF Portfolio Class
(Series A, T6, F, I and Advisor Series)
BMO Greater China Class
(Series A, F, I and Advisor Series)
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated May 27, 2013 to the Simplified Prospectuses and Annual Information Form dated March 28, 2013
NP 11-202 Receipt dated June 18, 2013
Offering Price and Description:
Series A, F, I , Advisor Series, T5, T6 and T8 @ Net Asset Value
Underwriter(s) or Distributor(s):
BMO Investments Inc.
BMO Investments Inc.
Guardian Group of Funds Ltd.
Promoter(s):
BMO Investments Inc.
Project #2007623

Issuer Name:
Bonterra Energy Corp.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated June 21, 2013
NP 11-202 Receipt dated June 24, 2013
Offering Price and Description:
$24,002,775.00 - 481,500 Common Shares Price: $49.85 per Offered Share
Underwriter(s) or Distributor(s):
FIRSTENERGY CAPITAL CORP.
ALTACORP CAPITAL INC.
CIBC WORLD MARKETS INC.
CLARUS SECURITIES INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
PARADIGM CAPITAL INC.
HAYWOOD SECURITIES INC.
NATIONAL BANK FINANCIAL INC.
Promoter(s):
-
Project #2075306

Issuer Name:
Brookfield Property Partners L.P.
Principal Regulator - Ontario
Type and Date:
Final Base Shelf Prospectus dated June 20, 2013
NP 11-202 Receipt dated June 21, 2013
Offering Price and Description:
US$2,000,000,000.00:
Limited Partnership Units
Preferred Limited Partnership Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Brookfield Asset Management
Project #2063111

Issuer Name:
Canadian Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Base Shelf Prospectus dated June 18, 2013
NP 11-202 Receipt dated June 18, 2013
Offering Price and Description:
$750,000,000.00:
Debt Securities
Units

Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2074248

Issuer Name:

Series A, B, D, E, F, H and I Units of:
CAPITAL INTERNATIONAL – GROWTH AND INCOME
CAPITAL INTERNATIONAL – EMERGING MARKETS TOTAL OPPORTUNITIES
CAPITAL INTERNATIONAL – GLOBAL EQUITY
CAPITAL INTERNATIONAL – INTERNATIONAL EQUITY
CAPITAL INTERNATIONAL – U.S. EQUITY
Series A, B, E, F, H and I Units of
CAPITAL INTERNATIONAL – CANADIAN CORE PLUS FIXED INCOME
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated June 13, 2013
NP 11-202 Receipt dated June 19, 2013
Offering Price and Description:
Series A, B, D, E, F, H and I Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Capital International Asset Management (Canada) Inc.
Project #2060992

Issuer Name:
Dynamic Dividend Fund (Series A, F, G, I, IT, O and T units)
Dynamic Small Business Fund (formerly Dynamic Focus+ Small Business Fund) (Series A, F,
FI,
G, I, IP, O and OP units)
Dynamic Corporate Bond Strategies Fund (Series A, E, F, FH, FI, H, I, IP, O and OP units)
Dynamic Real Return Bond Fund (Series A, F, I and O units)
Dynamic Strategic Global Bond Fund (Series A, F, FH, H, I, IP, O and OP units)
Dynamic Power American Growth Fund (Series A, F, FI, I, IP, O, OP and T units)
Dynamic Power Balanced Fund (Series A, E, F, FT, G, I, IP, O, OP and T units)
Dynamic Power Canadian Growth Fund (Series A, F, FI, G, I, IP, O, OP and T units)
Dynamic Alternative Yield Fund (Series A, E, F, FH, FI, H, I, IP, O and OP units)
Dynamic Energy Income Fund (formerly Dynamic Focus+ Energy Income Trust Fund) (Series
A, F, FI, G, I, IP, O, OP and T units)
Dynamic Focus+ Resource Fund (Series A, E, F, FI, G, I, IP, O and OP units)
Dynamic Global Real Estate Fund (formerly Dynamic Focus+ Real Estate Fund) (Series A, E, F,
I, IP, O, OP and T units)
Dynamic Dividend Advantage Fund (formerly Dynamic Dividend Value Fund) (Series A, E,
F, FI, FT, I, IT, O and T units)
Dynamic Far East Value Fund (Series A, F, I, IP, O and OP units)
Dynamic Global Asset Allocation Fund (formerly Dynamic Global Value Balanced Fund) (Series
A,
E, F, FT, I, O and T units)
Dynamic Global Dividend Fund (formerly Dynamic Global Dividend Value Fund) (Series A, E, F,
FI, FT, G, I, IT, O and T units)
Dynamic Value Balanced Fund (Series A, E, F, FT, G, I, O and T units)
Dynamic Aurion Total Return Bond Fund (Series A, E, F, FH, FI, G, H, I and O units)
Dynamic Blue Chip U.S. Balanced Class (formerly Dynamic Blue Chip Balanced Class) (Series
A, E, F, FH, FI, H, I, O and T shares)
Dynamic Dividend Income Class (Series A, E, F, I, O and T shares)
Dynamic Strategic Yield Class (Series A, E, F, FH, FI, FT, G, H, I, IT and T shares)
Dynamic Advantage Bond Class (Series A, E, F, FH, FI, FT, H, I, IT and T shares)
Dynamic Corporate Bond Strategies Class (Series A, E, F, FH, H, I, IP and T shares)
Dynamic Power American Growth Class (Series A, E, F, I, IP, O, OP and T shares)
Dynamic Power Balanced Class (Series A, E, F, FT, G, I, IP, IT, O, OP and T shares)
Dynamic Power Canadian Growth Class (Series A, E, F, G, I, IP, O, OP and T shares)
Dynamic Power Global Balanced Class (Series A, F, I, IP, O, OP and T shares)
Dynamic Power Global Growth Class (Series A, E, F, FI, G, I, IP, O, OP and T shares)
Dynamic Power Global Navigator Class (Series A, E, F, FI, I, IP, O, OP and T shares)
Dynamic Power Managed Growth Class (Series A, F, I, IP, O, OP and T shares)
Dynamic American Value Class (Series A, E, F, I, O and T shares)
Dynamic Canadian Value Class (Series A, E, F, G, I, IP, O, OP and T shares)
Dynamic Income Growth Opportunities Class (formerly Dynamic Canadian Dividend Class)
(Series A, E, F, I, O and T shares)
Dynamic Global Asset Allocation Class (Series A, E, F, I, O and T shares)
Dynamic Global Discovery Class (Series A, E, F, I, O and T shares)
Dynamic Global Dividend Class (formerly Dynamic Global Dividend Value Class) (Series A, E,
F, FT, I, O and T shares)
Dynamic Global Value Class (Series A, E, F, I, IP, O, OP and T shares)
Dynamic Value Balanced Class (Series A, E, F, FT, G, I, IT, O and T shares)
Dynamic Alternative Yield Class (Series A, E, F, FH, H, IP and T shares)
Dynamic Emerging Markets Class (Series A, F, I, IP and OP shares)
Dynamic Strategic Energy Class (formerly Dynamic Global Energy Class) (Series A, F, I, IP,
O, OP and T shares)
Dynamic Strategic Resource Class (Series A, F, I, IP and OP shares)
DynamicEdge Balanced Class Portfolio (Series A, E, F, FT, G, I, IT, O and T shares)
DynamicEdge Balanced Growth Class Portfolio (Series A, E, F, FT, G, I, IT, O and T shares)
DynamicEdge Conservative Class Portfolio (Series A, E, F, I, O and T shares)
DynamicEdge 2020 Class Portfolio (Series A, F, I and T shares)
DynamicEdge 2025 Class Portfolio (Series A, F, I and T shares)
DynamicEdge 2030 Class Portfolio (Series A, F, I and T shares)
Dynamic Aurion Tactical Balanced Class (Series A, E, F, FT, I, O and T shares)
Dynamic Aurion Total Return Bond Class (Series A, E, F, FH, FI, FT, H, I, IT and T shares)
Principal Regulator - Ontario

Type and Date:
Amendment No. 6 dated May 30, 2013 to the Simplified Prospectuses dated January 30, 2013 (SP amendment no. 6) and Amendment No. 7 dated May 30, 2013 (together with SP amendment no. 6, "Amendment no. 7") to the Annual Information Form dated January 30, 2013
NP 11-202 Receipt dated June 24, 2013

Offering Price and Description:
Series A, E, F, FI, FT, G, H, FH, I, Ip, OP, IT, O and T Units and Series A, E, F, FI, FT, G, H, FH, I, Ip, OP, IT, O and T Shares @ Net Asset Value

Underwriter(s) or Distributor(s):
GCIC Ltd.
Promoter(s):
GCIC Ltd.
Project #1997932

Issuer Name:
First Asset Global Dividend Fund
(Class A, Class A1, Class F and Class F1 units)
First Asset Canadian Convertible Bond Fund
First Asset REIT Income Fund
First Asset Utility Plus Fund
First Asset Canadian Energy Convertible Debenture Fund
(Class A and Class F)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated June 10, 2013
NP 11-202 Receipt dated June 21, 2013
Offering Price and Description:
Class A, A1, F and F1 units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2055114

Issuer Name:
First Asset DEX Government Bond Barbell Index ETF
First Asset DEX Corporate Bond Barbell Index ETF
First Asset DEX All Canada Bond Barbell Index ETF
(Common Units and Advisor Class Units)
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated June 10, 2013
NP 11-202 Receipt dated June 18, 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 #2055601

Issuer Name:
Harvest Canadian Income & Growth Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated June 20, 2013
NP 11-202 Receipt dated June 20, 2013
Offering Price and Description:
Series A, Series F and Series R Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2062585

Issuer Name:
HHT Investments Inc.
Principal Regulator - Ontario
Type and Date:
Final CPC Prospectus dated June 20, 2013
NP 11-202 Receipt dated June 24, 2013
Offering Price and Description:
Minimum Offering: $2,000,000.00 or 20,000,000 Common Shares
Maximum Offering: $4,500,000.00 or 45,000,000 Common Shares
Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Promoter(s):
Scott Hayes
Project #2072166

Issuer Name:
Lawrence Park Strategic Income Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated June 20, 2013
NP 11-202 Receipt dated June 24, 2013
Offering Price and Description:
Class A, E, F, I and O units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
CI Investments Inc.
Project #2055617

Issuer Name:
Mackenzie Ivy Foreign Equity Class
Mackenzie Sentinel Canadian Short-Term Yield Class
Symmetry Balanced Portfolio Class
Symmetry Conservative Income Portfolio Class
Symmetry Conservative Portfolio Class
Symmetry Growth Portfolio Class
Symmetry Moderate Growth Portfolio Class
Principal Regulator - Ontario
Type and Date:
Amendment #3 dated May 30, 2013 to Final Simplified Prospectuses and Annual Information Form dated September 28, 2012
NP 11-202 Receipt dated June 20, 2013
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Quadrus Investment Services Ltd.
LBC Financial Services Inc
Promoter(s):
Mackenzie Financial Corporation
Project #1952339

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Voluntary Surrender	Bradford Bachinski Limited	Exempt Market Dealer	June 21, 2013
New Registration	Cortland Credit Group Inc.	Exempt Market Dealer, Portfolio Manager and Investment Fund Manager	June 21, 2013
New Registration	Legacy Partners Wealth Strategies Inc.	Exempt Market Dealer	June 24, 2013
Consent to Suspension (pending surrender)	Fox-Davies Capital Inc.	Exempt Market Dealer	June 24, 2013
Change in Registration Category	Manulife Asset Management Limited	From: Exempt Market Dealer, Portfolio Manager, Investment Fund Manager, Commodity Trading Manager and Mutual Fund Dealer To: Exempt Market Dealer, Portfolio Manager, Investment Fund Manager and Commodity Trading Manager	June 24, 2013
Consent to Suspension (pending surrender)	Contact Capital Advisory Corp.	Exempt Market Dealer	June 24, 2013

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Chapter 13

SROs, Marketplaces and Clearing Agencies

13.1 SROs

13.1.1 Investment Industry Regulatory Organization of Canada – Amendments to IFRS version of Form 1 – Notice of Commission Approval

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

AMENDMENTS TO IIROC IFRS VERSION OF FORM 1

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission approved the amendments to IIROC's IFRS version of Form 1 intended to make three clarification changes. In addition, the British Columbia Securities Commission did not object to, and the Alberta Securities Commission, the Autorité des marchés financiers, the New Brunswick Securities Commission, the Nova Scotia Securities Commission, the Financial Services Regulation Division of the Department of Government Services for Newfoundland and Labrador, the Ontario Securities Commission, and the Saskatchewan Financial Services Commission have approved the above-noted amendments.

Two of the proposed amendments are corrections that were omitted from the initial implementation of IFRS Form 1 that took place during 2010. The remaining proposed change is to correct an unintended title change to one line on Schedule 11A when this Schedule was amended to adopt IFRS. The amendments are effective for reporting periods ending on or after July 31, 2013.

The proposed amendments were published for comment on February 7, 2013, at (2013) 36 OSCB 1601 for a 90 day comment period. No comments were received.

A copy of the IIROC Notice is attached.

13-0175
June 27, 2013

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 make minor clarification changes throughout Form 1. The amendments were reclassified as "Public Comment Rules" at the request of the securities commissions and published for comment. No public comments were received. The amendments are effective for reporting periods ending on or after July 31, 2013.

Summary of the nature and purpose of the amendments

The amendments make clarification changes to the IFRS version of Form 1 and were reclassified as "Public Comment Rules". The following are the amendments to the IFRS version of Form 1:

(a) General Notes and Definitions

(i) Adding the valuation of subordinated loan as a prescribed IFRS departure in the General Notes and Definitions to Form 1: The purpose of the change is to clarify that IIROC requires subordinated loans to be reported at face value, which is a departure from IFRS. Under IFRS, any liability is subject to revaluation, which would mean a Dealer Member must discount the value of the subordinated loan and the change in the value of the subordinated loan must be reflected on the income statement. Under certain circumstances, the discount could be material. The change would add this prescribed IFRS departure to Note 2 of the General Notes and Definitions to Form 1.

(b) Statement C (Statement of early warning excess and early warning reserve), the Notes and Instructions to Statement C, Statement D (Statement of free credit segregation amount), and Schedules 6A (Tax recoveries), 13 (Early warning tests - Level 1) and 13A (Early warning tests - Level 2)

(i) Adding the line item "Finance leases and lease related liabilities" as a deduction to the line item "Non-current liabilities" in Statement C, accommodating them in the Notes and Instructions to Line 5 in the Notes and Instructions to Statement C, and renumbering the line items on Statement C and the Notes and Instructions to Statement C, accordingly: The purpose of the changes is to make the impact of "non-current portion of finance leases and lease-related liabilities" neutral to the early warning excess (EWE) and early warning reserve (EWR) calculations. When the IFRS version of Form 1 was first implemented, finance lease assets (previously called capitalized leases) were moved from "Non-Allowable Assets" to a separate asset category to make their impact neutral to risk adjusted capital (RAC). However, the non-current portion of finance leases and lease-related liabilities were not considered and as a result, they unintentionally increased the EWE and EWR amounts calculated for Dealer Members.

(ii) Renumbering the line references on Statement D and Schedules 6A, 13 and 13A that were affected by the addition of the line item "Finance leases and lease related liabilities" in (b)(i) immediately above.

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

(i) Renaming Line 13 on Schedule 11A: The purpose of the change is to correct an unintended title change to Line 13 when the Schedule was amended to adopt IFRS. Line 13's title "Net weighted value" will be changed back to "Greater of long or (short) weighted values".

Attachments

The following supporting documents for the 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 amendments to IFRS version of Form 1

ATTACHMENT A

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.

ATTACHMENT B

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 General Notes and Definitions:

   (a) Adding the words "Subordinated loan" as a separate subsection within Note 2 (Prescribed IFRS departure); and

   (b) Adding the sentence "For regulatory reporting purposes, a subordinated loan must be reported at face value. Discounting of the subordinated loan amount is not permitted." Within the "Subordinated loan" subsection of Note 2 (Prescribed IFRS departure).

2. 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) Adding as Line 8 the line item "Less: Finance leases and lease-related liabilities" and renumbering the existing Lines and references to those Lines accordingly.

3. 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) Renumbering the Lines and references to those Lines in accordance with the changes to Statement C as noted in 2(a) above;

   (b) Replacing the word "and" with the punctuation mark "," immediately after the words "other than subordinated loans in the note to Line 5"; and

   (c) Adding the words ", and non-current portion of finance leases and lease-related liabilities" after the words "non-current portion of lease liabilities - leasehold inducements" in the note to Line 5.

4. The IFRS version of Form 1 is amended by making the following change to Statement D (Statement of Free Credit Segregation Amount):

   (a) Renumbering the Line reference "C12" to "C13" on Line 2 in accordance with the change to Statement C as noted in 2(a) above.

5. The IFRS version of Form 1 is amended by making the following change to Schedule 6A (Tax Recoveries):

   (a) Renumbering the Line reference "C9" to "C10" on Line 6 of "B. Tax Recovery for Early Warning Calculation:" in accordance with the change to Statement C as noted in 2(a) above.

6. The IFRS version of Form 1 is amended by making the following change to Schedule 11A (Details of Unhedged Foreign Currencies Calculation for Individual Currencies with Margin Required Greater than or equal to $5,000):

   (a) Renaming Line 13 "Net weighted value" to "Greater of long or (short) weighted values".

7. The IFRS version of Form 1 is amended by making the following change to Schedule 13 (Early Warning Tests - Level 1):

   (a) Renumbering the Line reference "Stmt. C, Line 12" to "Stmt. C, Line 13" under "A. Liquidity Test" in accordance with the change to Statement C as noted in 2(a) above.

8. The IFRS version of Form 1 is amended by making the following change to Schedule 13A (Early Warning Tests - Level 2):

   (a) Renumbering the Line reference "Stmt. C, Line 10" to "Stmt. C, Line 11" under "A. Liquidity Test" in accordance with the change to Statement C as noted in 2(a) above.

ATTACHMENT C

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AMENDMENTS TO IFRS VERSION OF IIROC FORM 1

BLACK-LINE COPY OF THE AMENDMENTS

1. The amendments to make clarifying changes to the IFRS version of Form 1.

FORM 1 – TABLE OF CONTENTS

_____
(Dealer Member Name)

_____
(Date)

		Updated
GENERAL NOTES AND DEFINITIONS		~~Jan~~Jul-2013
CERTIFICATE OF UDP AND CFO		Jan-2013
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PART I		
STATEMENT		
A	Statement of financial position	Jan-2013
B	Statement of net allowable assets and risk adjusted capital	Jan-2013
C	Statement of early warning excess and early warning reserve	~~Jan~~Jul-2013
D	Statement of free credit segregation amount	~~Feb~~Jul-~~2011~~2013
E	Statement of income and comprehensive income	Jan-2013
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[2]	Jan-2013
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SCHEDULE		
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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
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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
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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	~~Jan~~Jul-2013
12	Margin on futures concentrations and deposits	Feb-2011
13	Early warning tests - Level 1	~~Feb~~Jul-~~2011~~2013
13A	Early warning tests - Level 2	~~Jan~~Jul-2013
14	Provider of capital concentration charge	Jan-2013
15	Supplementary information[4]	Feb-2011

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:

1. 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.

2. 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.
One-time transitional relief	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.
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.
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.

Subordinated loan	For regulatory reporting purposes, a subordinated loan must be reported at face value. Discounting of the subordinated loan amount is not permitted.
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:

	Prescribed accounting treatment
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 treatment*s 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, 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	**RISK ADJUSTED CAPITAL**		_____
LIQUIDITY ITEMS -				
		DEDUCT:		
2.	A-18	Other allowable assets	----------	----------
3.	Sch.6A	Tax recoveries	----------	----------
4.		Securities held at non-*acceptable securities locations*	----------	----------
		ADD:		
5.	A-68	Non-current liabilities	----------	----------
6.	A-67	Less: Subordinated loans	----------	----------
7.	A-65	Less: Non-refundable leasehold inducements		
~~8.~~	~~A-64~~	~~Less: Finance leases and lease-related liabilities~~		
~~8.~~9.		Adjusted non-current liabilities for Early Warning purposes	----------	_____
~~9.~~10.	Sch.6A	Tax recoveries - income accruals	----------	----------
~~10.~~1 1.		**EARLY WARNING EXCESS**		_____
		DEDUCT: CAPITAL CUSHION -		
~~11.~~1 2.	B-24	Total margin required $_____ multiplied by 5%	----------	_____
~~12.~~1 3.		**EARLY WARNING RESERVE** [Line ~~10~~11 less Line ~~11~~12]		_____

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~~12 above), then the Dealer Member is designated as being in Early Warning category **Level 1**, or

(b) 2% of total margin required (Line ~~11~~12 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 lease liabilities - leasehold inducements, and non-current portion of finance leases and lease-related liabilities) are added back to RAC as they are not current obligations of the Dealer Member and can be used as financing.

Line ~~9~~10 - This add-back ensures that the Dealer Member is not penalized at the Early Warning level for accruing income.

Line ~~10~~11 - 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~~13 - 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 a

FORM 1, PART I – STATEMENT D

_____

(Dealer Member Name)

STATEMENT OF FREE CREDIT SEGREGATION AMOUNT

at _____

			NOTES	**(CURRENT YEAR)**
REFERENCE				
AMOUNT REQUIRED TO SEGREGATE:				**C$'000**
1.	B-6	Net allowable assets of $_____ multiplied by 8		
2.	C-~~12~~13	Early warning reserve of $_____ multiplied by 4		
3.		**FREE CREDIT LIMIT** [Lines 1 plus 2]		
		Less client free credit balances:		
4.	Sch.4	Dealer Member's own [see note]		
5.		Carried For Type 3 Introducers		
6.		**AMOUNT REQUIRED TO SEGREGATE** [NIL if Line 3 exceeds Line 4 plus Line 5, see note]		
		AMOUNT IN SEGREGATION:		
7.	A-3	Client funds held in trust in an account with an *acceptable institution* [see note]		
8.	Sch.2	*Market value* of securities owned and in segregation [see note]		
9.		**TOTAL IN SEGREGATION** [Lines 7 plus 8]		
10.		**NET SEGREGATION EXCESS (DEFICIENCY)** [Line 6 less Line 9, see note]		

NOTES:

Line 3 - If negative, then Line 6 equals Line 4 plus Line 5, i.e. Dealer Member is required to segregate 100% of client free credits.

Lines 4 and 5 - Free credit balances in RRSP and other similar accounts should not be included. Refer to Schedule 4 - Notes and Instructions for discussion of trade versus settlement date reporting of free credit balances. For purposes of this statement, a free credit is:

(a) For cash and margin accounts - the credit balance less an amount equal to the aggregate of the *market value* of short positions and regulatory margin on those shorts.

(b) For futures accounts - any credit balance less an amount equal to the aggregate of margin required to carry open futures contracts and/or futures contracts option positions less equity in those contracts plus deficits in those contracts, provided that such aggregate amount may not exceed the dollar amount of the credit balance.

Line 6 - If Nil, no further calculation on this Statement need be done.

Line 7 - The trust must be an obligation binding the Dealer Member (the trustee) to deal with the free credits over which it has control (the trust property), for the benefit of the client (the beneficiary). The trust property must be clearly identified as such even if residing with an *acceptable institution*.

FUNDS HELD IN TRUST FOR RRSP AND OTHER SIMILAR ACCOUNTS ARE NOT TO BE INCLUDED IN THIS CALCULATION.

Line 8 - The securities to be included are bonds, debentures, treasury bills and other securities with a term of 1 year or less, of or guaranteed by the Government of Canada or a Province of Canada, the United Kingdom, the United States of America and any other national foreign government (provided such other foreign government is a party to the Basel Accord) which are segregated and held separate and apart as the Dealer Member's property.

Line 10 - If negative, then a segregation deficiency exists, and the Dealer Member must expeditiously take the most appropriate action required to settle the segregation deficiency.

The Dealer Member must provide an explanation of how the deficiency was corrected as well as the date of correction.

FORM 1, PART II – SCHEDULE 6A

DATE: _____

_____

(Dealer Member Name)

TAX RECOVERIES

			C$'000
A.		**TAX RECOVERY FOR RISK ADJUSTED CAPITAL**	
1.	Sch. 6, Line 5	Income tax expense (recovery) [must be greater than 0, else N/A]	
2.	A-21	Commission and/or fees receivable (non allowable assets) of $_____ multiplied by an effective corporate tax rate of _____%	
3.		TAX RECOVERY – ASSETS [100% of lesser of Lines 1 and 2]	
4.		Balance of current income tax expense available for margin and securities concentration charge tax recovery [Line 1 minus Line 3]	
5.		Recoverable taxes from preceding three years of $_____ net of current year tax recovery (if applicable) of $_____	
6.		Total available for margin tax recovery [Line 4 plus Line 5]	
7.	B-24	Total margin required of $_____ multiplied by an effective corporate tax rate of _____%	
8.		TAX RECOVERY – MARGIN [75% of lesser of Lines 6 and 7]	
9.		TOTAL TAX RECOVERY BEFORE TAX RECOVERY ON SECURITIES CONCENTRATION CHARGE [Line 3 plus Line 8]	B-26
10.		Balance of taxes available for securities concentration charge tax recovery [Line 6 minus Line 8, must be greater than 0, else N/A]	
11.	Sch. 9	Total securities concentration charge of $_____ multiplied by an effective corporate tax rate of _____%	
12.		TAX RECOVERY – SECURITIES CONCENTRATION CHARGE [75% of lesser of Lines 10 and 11]	B-28
13.		TOTAL TAX RECOVERY RAC [Line 3 plus Line 8 plus Line 12]	C-3
B.		**TAX RECOVERY FOR EARLY WARNING CALCULATION:**	
1.	Sch. 6, Line 5	Income tax expense (recovery) [must be greater than 0, else N/A]	
2.	A-15	Commission and/or fees receivable (allowable assets)	
3.	A-21	Commission and/or fees receivable (non allowable assets)	
4.		SUBTOTAL [Line 2 plus Line 3]	
5.		Line 4 multiplied by an effective corporate tax rate of _____%	
6.		TAX RECOVERY – INCOME ACCRUALS [100% of lesser of Lines 1 and 5]	C-910

FORM 1, PART II – SCHEDULE 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: _____

		AMOUNT	WEIGHTED VALUE	MARGIN REQUIRED
BALANCE SHEET ITEMS AND FORWARD/FUTURE COMMITMENTS <= TWO YEARS TO MATURITY				
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 _____%			
BALANCE SHEET ITEMS AND FORWARD/FUTURE COMMITMENTS > TWO YEARS TO MATURITY				
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~~Greater of long or (short) weighted ~~value~~values			
14.	Net weighted value multiplied by term risk for Group ___ of _____%			
FOREIGN EXCHANGE MARGIN REQUIREMENTS				
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			
FOREIGN EXCHANGE CONCENTRATION CHARGE				
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 13

DATE: _____

_____

(Dealer Member Name)

EARLY WARNING TESTS – LEVEL 1

C$'000

A. LIQUIDITY TEST

Is Early Warning Reserve (Stmt. C, Line ~~12~~13) **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 5% _____

Is Line 1 less than Line 2? ---------- **YES/NO**

C. PROFITABILITY TEST #1

		Months	Profit or loss for 6 months ending with current month [note 2] **C$'000**	Profit or loss for 6 months ending with preceding month [note 2] **C$'000**
1.	Current month	----------	----------	
2.	Preceding month	----------	----------	----------
3.	3rd month	----------	----------	----------
4.	4th month	----------	----------	----------
5.	5th month	----------	----------	----------
6.	6th month	----------	----------	----------
7.	7th month	----------		
8.	TOTAL [note 3]		_____	_____
9.	AVERAGE multiplied by -1		_____	_____
10A.	RAC [at Form 1 date]		_____	

10B. RAC [at preceding month end]

11A. Line 10A divided by Line 9

11B. Line 10B divided by Line 9

Are both of the following conditions true:

1. Line 11A is greater than or equal to 3 but less than 6, and

2. Line 11B less than 6?

YES/NO

D. PROFITABILITY TEST #2

1. Loss for current month [notes 2 and 4} multiplied by -6

2. RAC [at Form 1 date]

Is Line 2 less than Line 1?

YES/NO

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~~11) **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 #2

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

	Months	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 <u>both</u> YES?

YES/NO

13.1.2 IIROC Rules Notice 13-0174– Request for Comment – Proposed Plain Language Rule Sections 2210 and 2211 – Suspension and Termination of a Dealer Member

IIROC RULES NOTICE

REQUEST FOR COMMENT
PROPOSED PLAIN PROPOSED PLAIN LANGUAGE RULE SECTIONS 2210 AND 2211
SUSPENSION AND TERMINATION OF A DEALER MEMBER

Notice # 13-0174
June 27, 2013

Proposed Plain Language Rule Sections 2210 and 2211- Suspension and Termination of a Dealer Member

Summary of Nature and Purpose of Proposed Amendments

On March 28, 2013, the Board of Directors ("Board") of the Investment Industry Regulatory Organization of Canada ("IIROC") approved the publication, for comment, of revisions to the previously published proposed plain language rules 2100 through to 2700, *Dealer Member Organization and Registration Rules*, to exclude proposed plain language rule sections 2210 and 2211, relating to the District Councils' power to terminate or suspend the membership of a Dealer Member under certain circumstances.

The objective of these revisions is to eliminate unnecessary rule provisions and redundancy in the IIROC rules, and to ensure that IIROC rules reflect current IIROC practices.

Issues and Specific Proposed Amendments

Relevant History

In the process of responding to various public and CSA staff comments relating to proposed plain language rules 2100 through to 2700, *Dealer Member Organization and Registration Rules*[1], IIROC revisited the necessity of proposed plain language rule sections 2210 and 2211 which deal with District Councils' power to suspend and terminate a Dealer Member.

Prior to the establishment of IIROC, IDA Rules set out the circumstances under which Dealer Members could be suspended or terminated. Prior to 2004:

- IDA By-law 8.8 allowed the applicable District Council[2] to suspend or terminate the membership of a Dealer Member that ceased to carry on the business of a securities dealer or that had been acquired by non-qualifying investors;
- IDA By-law 20.10 allowed the applicable District Council[3] to suspend or terminate the membership of a Dealer Member as a disciplinary sanction;
- IDA By-law 20.30 allowed the applicable District Council to suspend the membership of a Dealer Member in the event the dealer's registration had been suspended, cancelled or had lapsed, or in the event the dealer became bankrupt;
- IDA By-laws 20.31 and 20.32 allowed the applicable District Council to continue to suspend or to terminate the membership of a Dealer Member that did not adequately address the reason for the suspension issued pursuant to IDA By-law 20.30; and
- IDA By-law 20.33 allowed the Chair or Vice-Chair of the applicable District Council, in consultation with at least one member of the IDA Board of Directors, to suspend the membership of a Dealer Member and direct the Dealer Member to cease dealing with the investing public if, in their opinion, a Dealer Member Rule was breached and the rule breach was likely to result in losses to the investing public.

In 2004, IDA By-law 20, *Association Hearing Processes*, was "modernized to reflect administrative law principles and to ensure processes that will permit the IDA to meet its member regulation mandate."[4] One of the major amendments made at the time

1 Proposed plain language rules 2100-2700 were issued for public comment on February 11, 2011 (see IROC Notice 11-0061).

2 IIROC is not aware of an occasion where the power to suspend or terminate under IDA Dealer Member 8.8 has been exercised by a District Council.

3 In practice, these District Council responsibilities were carried out by a Hearing Panel.

was to more clearly set out in the rules which matters District Councils would continue to have decision making authority over (i.e. registration approval and registration related exemption requests) and which matters must be decided upon by a Hearing Panel. As a result, IDA By-laws 20.10 and 20.30 through 20.33 were repealed and replaced with the following rules:

- IDA By-law 20.13 setting out the Hearing Panel as the decision maker for various hearings including disciplinary hearings, settlement hearings and expedited hearings (formerly suspension/termination hearings);
- IDA By-law 20.34 setting out the Hearing Panel's power to suspend or terminate a Dealer Member as a disciplinary sanction;
- IDA By-law 20.42 setting out the circumstances under which an expedited hearing can be held in front of a Hearing Panel, including a dealer bankruptcy, suspension of a dealer registration, a suspension of a dealer marketplace membership and a dealer that poses an imminent harm to the public; and
- IDA By-law 20.45 setting out the Hearing Panel's power to suspend or terminate a Dealer Member in one of the circumstances described in Dealer Member Rule 20.42.

IDA By-law 8.8 was not amended or repealed at that time and as a result, IDA By-law 8.8 continued to permit an applicable District Council to suspend or terminate the membership of a Dealer Member under certain circumstances, despite the fact that amended IDA By-law 20 required that a Hearing Panel decide whether to suspend or terminate under other circumstances. IIROC believes this result was unintended.

When IIROC was established in 2008:

- IDA By-law 8.8 was retained as IIROC Dealer Member Rule 8.8
- IDA By-law 20.13 was incorporated into the definition of "Hearing Panel" set out in IIROC Dealer Member Rule 20.1; and
- IDA By-laws 20.34, 20.42 and 20.45 were retained as IIROC Dealer Member Rules 20.34, 20.42 and 20.45.

Current Rules

Consistent with the prior IDA Rules as set out above, IIROC Dealer Member Rule 8.8 continues to permit the applicable District Council to suspend or terminate the membership of a Dealer Member under certain circumstances and IIROC Dealer Member Rule 20 requires that a Hearing Panel decide on whether to suspend or terminate under other circumstances.

Proposed Rules

Proposed Amendments

IIROC staff believes it is appropriate to revise previously published proposed plain language rules 2100 through to 2700, *Dealer Member Organization and Registration Rules* to exclude the plain language version of IIROC Dealer Member Rule 8.8, proposed plain language rule sections 2210 [suspension] and 2211 [termination], as we believe that in all circumstances a Hearing Panel should decide whether to suspend or terminate the membership of a Dealer Member.

A black-lined version of the proposed revisions is included as Attachment A.

Issues and alternatives considered

IIROC staff considered the possibility of maintaining the status quo; however, staff rejected this alternative and is committed to developing a set of rules that are clear and reflect current IIROC practices.

Classification of Proposed Amendments

Statements have been made elsewhere as to the nature and effects of the Proposed Amendments, as well as analysis. The purpose of the Proposed Amendments is to:

- establish and maintain rules that are necessary or appropriate to govern and regulate all aspects of IIROC's functions and responsibilities as a self-regulatory entity;

[4] Quote from IDA proposals to amend IDA By-law 20 published for public comment in OSC Bulletin dated November 7, 2003 (Volume 26, Issue 45).

- promote the protection of investors; and
- provide for appropriate discipline of those whose conduct IIROC regulates.

The Board has therefore determined that the proposed revisions are not contrary to the public interest. Due to the extent and substantive nature of the proposed revisions, they have been classified as Public Comment Rule proposals.

Effects of the Proposed Amendments on Stakeholders

The Proposed Amendments do not impose any burden or constraint on competition or innovation that is not necessary or appropriate in furtherance of IIROC's regulatory objectives. They do not impose costs or restrictions on the activities of market participants (including Dealer Members and non-Dealer Members) that are disproportionate to the goals of the regulatory objectives sought to be realized.

Technological implications and implementation plan

The proposed revisions will be incorporated into the proposed plain language rule re-write project. The proposed revisions will not be implemented until the entire set of the Plain Language Rules has been published for an additional public comment period and approved by the CSA.

Given that the proposed revisions do not introduce any new costs or compliance challenges to Dealer Member, the proposed revisions will be incorporated immediately.

Request for public comment

Comments are sought on the proposed revisions. Comments should be made in writing. Two copies of each comment letter should be delivered within 60 days from the publication date of this notice. One copy should be addressed to the attention of:

Angie F. Foggia
Policy Counsel, Member Regulation Policy
Investment Industry Regulatory Organization of Canada
Suite 1600, 121 King Street West
Toronto, Ontario, M5H 3T9

The second copy should be addressed to the attention of:

Manager of Market Regulations
Ontario Securities Commission
19th Floor, Box 55
20 Queen Street West
Toronto, Ontario, M5H 3T9
marketregulation@osc.gov.on.ca

Those submitting comment letters should be aware that a copy of their comment letter will be made publicly available on the IIROC website (**www.iiroc.ca)** under the heading "IIROC Rule Book – Dealer Member Rules – Policy Proposals and Comment Letters Received".

Questions may be referred to:

Angie F. Foggia
Policy Counsel, Member Regulation Policy
Investment Industry Regulatory Organization of Canada
416.646.7203
afoggia@iiroc.ca

Attachments

Attachment A – Black-lined version of the proposed revisions to previously published proposed plain language rules 2210 and 2211, *Dealer Member Organization and Registration Rules*

ATTACHMENT A

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
REQUIREMENT TO DISCLOSE MEMBERSHIP IN IIROC AS DEALER MEMBER

BLACK-LINE OF PROPOSED AMENDMENTS TO PROPOSED PLAIN LANGUAGE RULE SECTIONS 2210 AND 2211

1. A black-line of the proposed revisions to previously published proposed plain language rules 2100 through to 2700, *Dealer Member Organization and Registration Rules*, published for public comment on February 11, 2011:

~~**2210. Suspension of membership**~~

~~(1) The Corporation may, in accordance with the provisions of the Consolidated Enforcement Rules, suspend the membership of a Dealer Member after the Dealer Member has been given an opportunity for a hearing.~~

~~(2) A Dealer Member whose membership has been suspended under this Rule will cease to be entitled to exercise any of the rights and privileges of membership but will remain liable to the Corporation for all amounts due to the Corporation from the suspended Dealer Member.~~

~~**2211. Termination of membership**~~

~~(1) The Corporation may, in accordance with the provisions of the Consolidated Enforcement Rules, terminate the membership of a Dealer Member after the Dealer Member has been given an opportunity for a hearing.~~

~~(2) A Dealer Member whose membership has been terminated under this Rule will cease to be entitled to exercise any of the rights and privileges of membership but will remain liable to the Corporation for all amounts due to the Corporation from the terminated Dealer Member.~~

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