

The Ontario Securities Commission

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

The Ontario Securities Commission

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Chapter 1

Notices / News Releases

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FOR IMMEDIATE RELEASE
July 17, 2014

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

AND

**IN THE MATTER OF
KINGSHIP CAPITAL CORPORATION,
2389401 ONTARIO INC., KENNETH WHITE,
DAVID HOPPS, STUART MCKINNON and
PRO-FINANCIAL ASSET MANAGEMENT INC.**

TORONTO – The Commission issued an Order pursuant to Subsection 8(3) of the *Securities Act*, with certain provisions, in the above named matter.

A copy of the Order dated July 16, 2014 is available at www.osc.gov.on.ca.

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1.4.2 Sino-Forest Corporation et al.

FOR IMMEDIATE RELEASE
July 21, 2014

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

AND

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

AND

**IN THE MATTER OF
A SETTLEMENT AGREEMENT BETWEEN
STAFF AND DAVID HORSLEY**

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

A copy of the Order dated July 21, 2014 and the Settlement Agreement dated June 26, 2014 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Investors Income Portfolio et al.

Headnote

NP 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – approval of mutual fund mergers – approval required because mergers do not meet the criteria for pre-approval – differences in investment objectives – some mergers will not occur on a tax-deferred basis – securityholders of terminating funds provided with timely and adequate disclosure regarding the mergers.

Applicable Legislative Provisions

NI 81-102 Mutual Funds, ss. 5.5(1)(b), 5.6(1)(a), 5.6(1)(b), 5.7(1)(b).

May 22, 2014

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

AND

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

AND

IN THE MATTER OF
THE MERGERS OF
INVESTORS INCOME PORTFOLIO, IG MACKENZIE U.S. GROWTH CLASS,
INVESTORS U.S. EQUITY CLASS
(the "Merging Funds")

INTO

INVESTORS FIXED INCOME FLEX PORTFOLIO, IG PUTNAM U.S. GROWTH CLASS,
INVESTORS CORE U.S. EQUITY CLASS
(the "Continuing Funds" and collectively with the Merging Funds referred to as the "Funds")

AND

IN THE MATTER OF
L.G. INVESTMENT MANAGEMENT, LTD.
(referred to as "Investors Group" and collectively with the Funds referred to as the "Filers")

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the "Decision Maker") has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (the "Legislation") for approval under paragraph 5.5(1)(b) of National Instrument 81-102 *Mutual Funds* ("NI 81-102") of the Mergers of the Merging Funds into the applicable Continuing Funds.

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

- (a) The Manitoba Securities Commission is the principal regulator for this application;
- (b) the Filers have provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Nunavut and the North West Territories; and
- (c) the decision is the decision of the Principal Regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

Defined terms contained in National Instrument 14-101 – *Definitions* and MI 11-102 have the same meaning if used in this decision, unless they are otherwise defined below:

- Investors Income Portfolio and Investors Fixed Income Flex Portfolio are herein collectively referred to as the "Unit Trust Funds";
- IG Mackenzie U.S. Growth Class, IG Putnam U.S. Growth Class, Investors U.S. Equity Class and Investors Core U.S. Equity are herein collectively referred to as the "Corporate Class Funds";

Representations

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

1. Investors Group is a corporation continued under the laws of Ontario. It is the trustee and manager of the Unit Trust Funds and is the manager of the Corporate Class Funds. Investors Group is registered as a portfolio manager in Manitoba, Ontario, and Quebec and as an Investment Fund Manager in Manitoba. It is also registered as an advisor under *The Commodity Futures Act* in Manitoba. The head office of Investors Group is in Winnipeg, Manitoba and, accordingly, Manitoba is the principal regulator. Investors Group is not in default of any of the requirements of securities legislation of any of the provinces and territories in Canada.
2. Investors Group Corporate Class Inc. (the "Corporation") is the issuer of the Corporate Class Funds.
3. All of the Funds are open-end mutual funds established or continued under a Master Declaration of Trust under the laws of Manitoba (in the case of the Unit Trust Funds), or governed by the *Canada Business Corporations Act* (the "CBCA") (in the case of the Corporate Class Funds).
4. All of the Funds are reporting issuers under the Legislation in each Jurisdiction and are not on the list of defaulting reporting issuers maintained under the Legislation in each Jurisdiction, and are not in default of any of the requirements of the securities Legislation of any of the provinces and territories of Canada. The securities of the Funds are qualified for distribution in each of the Jurisdictions pursuant to their own separate simplified prospectuses and annual information forms, each dated June 30, 2013, as may be amended (referred to collectively as the "Prospectuses").
5. Each Unit Trust Fund issues six series of units to retail purchasers. Each Corporate Class Fund issues five series of Shares to retail purchasers. A Fund Facts document as prescribed by Form 81101 F3 (the "Fund Facts") has been filed for all of the retail series of units and shares issued by the Unit Trust Funds and the Corporate Class Funds, respectively, together with their Prospectuses as described in paragraph number 4.
6. Investors Group proposes that each Merging Fund be merged into a corresponding Continuing Fund (each a "Merger" and collectively the "Mergers") as follows:

Merging Fund		Continuing Fund
Investors Income Portfolio	<i>to merge into</i>	Investors Fixed Income Flex Portfolio
JG Mackenzie U.S. Growth Class	<i>to merge into</i>	IG Putnam U.S. Growth Class
Investors U.S. Equity Class	<i>to merge into</i>	Investors Core U.S. Equity Class

7. Meetings of the securityholders of the Merging Funds are being convened on or about July 7, 2014, to approve the Mergers. A Meeting of the securityholders of IG Putnam U.S. Growth Class and Investors Core U.S. Equity Class (the "Continuing Corporate Class Funds") is also being convened as required by the provisions of the CBCA to approve changes to the Corporation's articles of incorporation in order to facilitate their Mergers with their corresponding Merging Funds. A notice of meeting, a management information circular and a proxy in connection with the meetings of securityholders of the Merging Funds and the Continuing Corporate Class Funds (collectively, the "Meeting Materials"), will be mailed to securityholders of the Merging Funds and the Continuing Corporate Class Funds, commencing on or about June 4, 2014, and will be filed via SEDAR.
8. Investors Group has determined that the Mergers will not be a material change to the Continuing Funds because they will not entail a change in the business, operations or affairs of the Continuing Funds that would be considered important by a reasonable investor in determining whether to purchase or continue to hold securities of the Continuing Funds. The Meeting of the Continuing Corporate Class Funds is to approve an amendment to the articles of incorporation of the Corporation to facilitate their Mergers pursuant to the CBCA and is not being convened because it is a material change for those Continuing Funds.
9. The tax implications of the Mergers, as well as the material differences between each Merging Fund and the corresponding Continuing Fund, will be described in the Meeting Materials so securityholders of the Merging Funds will be fully informed when considering whether to approve the Merger of their Fund at the Meeting of their Fund. Accordingly, implicit in the approval by securityholders of the Mergers is the acceptance by the securityholders of the Merging Funds of the proposed tax treatment and their adoption of the investment objective, strategy and fee structure of each corresponding Continuing Fund.
10. Amendments to the Prospectuses and Fund Facts of each retail series of each Merging Fund and for each of the Continuing Corporate Class Funds, and a material change report, have been (or will be) filed on SEDAR with respect to the Mergers as required by the Legislation of the Jurisdictions.
11. Subject to obtaining all necessary approvals, the Merging Funds will merge into the Continuing Funds on or about the close of business on July 18, 2014, and the Continuing Funds will continue as publicly offered open-end mutual funds.
12. The Merging Funds will be wound up as soon as reasonably possible following the Mergers.
13. No sales charges will be payable in connection with the acquisition by the Continuing Funds of the investment portfolios of the Merging Funds.
14. Securityholders of the Merging Funds will continue to have the right to redeem securities of the Merging Funds for cash at any time up to the close of business on the business day immediately before the effective date of the Mergers.
15. Other than circumstances in which the securities regulatory authority of a Jurisdiction has expressly exempted the Funds, the Funds follow the standard investment restrictions and practices established under the Legislation of the Jurisdictions.
16. The net asset values of each series of the Funds are calculated on a daily basis on each day that Investors Group is open for business.
17. Although the Continuing Funds and the corresponding Merging Funds have somewhat similar investment mandates, their fundamental investment objectives and/or strategies may not be substantially the same.
18. Investors Group will pay for all costs associated with the Meetings, including legal, proxy solicitation, printing, and mailing expenses, as well as any brokerage transaction fees associated with any Merger related trades and regulatory fees.
19. The fee structures of the Merging Funds are generally the same as the fee structures of the Continuing Funds, and in some instances the annual management fee and/or administration fees of the Continuing Funds are lower than that of the Merging Funds. In the case of Investors Income Portfolio, the annual management fee for the Continuing Fund (Investors Fixed Income Flex Portfolio) is variable, and may thus be higher or lower than the annual management fee of the Merging Fund and is expected to remain lower as at the date of the Merger. In any event, the difference in fee structure between these Funds (including the minimum and maximum annual management fee range of the Continuing Fund) will be fully described in the Management Information Circular, and the approval by securityholders of the Merging Fund will serve to signify the adoption by the securityholders of the Merging Fund of the fee structure of the Continuing Fund as well as the investment objective and strategies of its Continuing Fund, all as described in the Management Information Circular.

20. Investors Group will send the most recent Fund Facts of the appropriate series of the Continuing Funds to securityholders of the Merging Funds as permitted under paragraph 5.6(1)(f)(ii) of NI 81-102. In addition, securityholders of the Merging Funds and the Continuing Corporate Class Funds will be sent a management information circular fully describing the Mergers, which prominently discloses that the most recent Prospectuses, audited annual and un-audited interim financial statements of the Continuing Funds (if available) can be obtained by accessing the same at the Investors Group website or the SEDAR website, or requesting the same from Investors Group by tollfree number, or by contacting their servicing advisor at Investors Group or an affiliate of Investors Group ("Investors Group Consultant"), all as described in the Management Information Circular.
21. Approval of the Mergers is required because the Mergers do not satisfy all of the criteria for preapproved reorganizations and transfers set out in section 5.6 of NI 81-102. More specifically, contrary to section 5.6(1)(a)(ii), a reasonable person may not consider the Continuing Funds as having substantially similar fundamental investment objectives and fee structures as the Merging Funds in all cases. Nonetheless, although the investment objectives of some Merging Funds may not be substantially similar to the relevant Continuing Funds, they are complementary.
22. Except as noted in the paragraph immediately preceding, the Mergers will otherwise comply with all of the other criteria for pre-approved reorganizations and transfers set out in section 5.6 of NI 81-102.
23. The Mergers will increase operational efficiency by elimination of the duplication in time, effort and costs associated with the audit, board review and other compliance requirements arising from having multiple mandates.
24. It is anticipated that securityholders of the Merging Funds will benefit from less volatile and improved performance of their investments after the Mergers due to either or both of (i) the broader investment mandate and (ii) larger asset size of the Continuing Funds which allow the portfolio advisors to better manage their assets through greater diversification, investment selection and asset allocation.
25. Investors Group has referred the Mergers to the Independent Review Committee of the Funds (the "IRC") for its review. The IRC has been established as required by NI 81-107 – *Fund Governance* ("NI 81-107") and consists of individuals who are not in any way related to the Investors Group or its affiliates. The IRC reviews and makes recommendations on conflicts of interest matters for the purposes described in NI 81-107 including fund mergers (if necessary) and the IRC has concluded that the merger achieves a fair and reasonable result for each of the Funds.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation of 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:

1.
 - (a) the management information circular sent to securityholders in connection with the Mergers provides sufficient information about the Mergers to permit securityholders to make an informed decision about the Mergers;
 - (b) the management information circular sent to securityholders in connection with the Mergers prominently discloses that securityholders can obtain the most recent prospectuses, interim and annual financial statements (if applicable) of the Continuing Funds by accessing the SEDAR website at www.sedar.com, by accessing the Investors Group website, by calling Investors Group's toll-free telephone number, or by contacting an Investors Group Consultant;
 - (c) the Continuing Funds and the Merging Funds with respect to the Mergers have an unqualified audit report in respect of their last completed financial period; and
 - (d) the Meeting Materials sent to securityholders of the Merging Funds in respect of the Mergers include the applicable Fund Facts of the Continuing Funds.

"Chris Besko"
Acting Director
The Manitoba Securities Commission

2.1.2 PrairieSky Royalty Ltd.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – exemption from the requirements of section 2.2(d) of National Instrument 44-101 Short Form Prospectus Distributions requiring an issuer to have current annual financial statements and a current Annual Information Form in order to be eligible to file a short form prospectus – exemption from the requirements under section 8.4 of National Instrument 51-102 Continuous Disclosure Obligations to include financial statements in a Business Acquisition Report – issuer filed a long form prospectus which included carve-out financial statements.

Applicable Legislative Provisions

National Instrument 44-101 Short Form Prospectus Distributions, s. 2.2(d).

National Instrument 51-102 Continuous Disclosure Obligations, s. 8.4.

Citation: Re PrairieSky Royalty Ltd., 2014 ABASC 265

July 14, 2014

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
PRAIRIESKY ROYALTY LTD.
(THE FILER)

DECISION

Background

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

- (a) Section 2.2(d) of National Instrument 44-101 *Short-Form Prospectus Distributions* (**NI 44-101**) (the **Short Form Qualification Exemption Sought**), which requires the Filer to have a current annual information form (**AIF**) and current annual financial statements in at least one jurisdiction in which the Filer is a reporting issuer, in order to qualify to file a short form prospectus under NI 44-101 (the **AIF and Annual Financial Statement Requirement**); and
- (b) Section 8.4 of National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**) (the **BAR Exemption Sought**), which requires an issuer to include certain audited annual financial statements, interim report and pro forma financial statements described therein in a business acquisition report (**BAR**) required to be filed by a reporting issuer under Section 8.2 of NI 51-102 in connection with a "significant acquisition" (the **BAR Financial Statement Requirement**).

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

- (a) the Alberta Securities Commission is the principal regulator for this application;
- (b) the Filer has provided notice that Section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each of British Columbia, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Yukon and Nunavut; and

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

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, MI 11-102 or NI 44-101 have the same meanings if used in this decision, unless otherwise defined herein.

Representations

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

The Filer

1. The Filer is a corporation incorporated under the *Business Corporations Act* (Alberta). It was incorporated under the name "1786071 Alberta Ltd." on November 27, 2013 and on April 11, 2014, the Filer amended its articles to change its name to "PrairieSky Royalty Ltd." and remove the restrictions on share transfers from its articles.
2. The principal and head office of the Filer is located in the City of Calgary in the Province of Alberta.
3. The financial year end of the Filer is December 31.
4. The Filer is a reporting issuer in each of the provinces and territories of Canada and the Filer is not in default of securities legislation in any such jurisdiction in which it is a reporting issuer.

The Acquisition

5. On May 27, 2014, the Filer completed the acquisition (the **Acquisition**) from Encana Corporation (**Encana**) of Encana's fee simple mineral title lands and associated royalty interests and related assets that form part of Encana's Clearwater business unit (the **Acquired Business**). As of the date hereof, the Acquired Business comprises the "primary business" of the Filer within the meaning of Section 32.1(1)(b) of Form 41-101F1 *Information Required in a Prospectus* (**Form 41-101F1**).
6. The Acquisition represents a "significant acquisition" of the Applicant within the meaning of NI 51-102.

The IPO

7. On May 22, 2014, the Filer filed and obtained a receipt for a final long form prospectus (the **IPO Prospectus**) in connection with its initial public offering of its common shares (the **IPO**) by way of secondary offering by Encana, which IPO was completed on May 29, 2014.
8. Annual and interim financial statements in respect of the Acquired Business as required by Sections 32.1, 32.2 and 32.3 of Form 41-101F1 would not reflect the nature of the Acquired Business, and the Filer was granted exemptive relief from such requirements in connection with the IPO as more particularly described in the IPO Prospectus and as excerpted in Appendix "A" hereto.
9. The Final IPO Prospectus instead included the following information:
 - (a) audited financial statements of the Filer as at and for the period commencing on November 27, 2013 and ending on December 31, 2013, and unaudited financial statements of the Filer as at and for the three months ending March 31, 2014, including in each case accompanying notes;
 - (b) carve-out audited financial statements for the Third Party Royalty Business (as such term is defined in the IPO Prospectus) as at December 31, 2013 and December 31, 2012 and for the three years ended December 31, 2013, 2012 and 2011, and unaudited carve-out interim financial statements for the Third Party Royalty Business as at March 31, 2014 and March 31, 2013 and for the three months ended March 31, 2014 and 2013, including in each case accompanying notes (the **Third Party Royalty Business Financial Statements**);(together, 9(a) and 9(b) above, the **Financial Statements**);

- (c) in respect of certain of the properties acquired from Encana Corporation on May 27, 2014 (the **Encana Development Properties**), (i) certain supplemental financial and production information, both historical and forward-looking, in respect of, and stand-alone and supplemental oil and gas reserves; and (b) operational information prepared in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (**NI 51-101**) for, the Encana Development Properties (the **Encana Development Properties Information**); and
- (d) oil and gas reserves information in the form required by NI 51-101 (as at December 31, 2013), Form 51-101F2 and Form 51-101F3 in respect of the properties comprising the Acquired Business (the **Acquired Business Reserves Report**).

Short Form Prospectus Issuer

- 10. The Filer may wish to file a short form prospectus or short form prospectuses under NI 44-101 prior to the point at which the Filer will meet the AIF and Annual Financial Statement Requirement.
- 11. Under Section 2.7(1) of NI 44-101, an issuer that is not exempt from the requirement in the applicable CD rule to file annual financial statements but has not yet been required under the applicable CD rule to file same, and has filed and obtained a receipt for a final prospectus that included the issuer's or each predecessor entity's comparative annual financial statements for its most recently completed financial year or the financial year immediately preceding its most recently completed financial year (together with the auditor's report accompanying those financial statements), is exempt from the AIF and Annual Financial Statement Requirement (the **New Reporting Issuer Exemption**).
- 12. The Filer does not meet the criteria of the New Reporting Issuer Exemption because the Third Party Royalty Business Financial Statements and other disclosure were not the complete financial statements of a predecessor entity.
- 13. Except for not meeting the AIF and Annual Financial Statement Requirement, the Filer would otherwise be qualified to file a prospectus in the form of a short form prospectus pursuant to NI 44-101.

The BAR

- 14. Pursuant to Section 8.2 of NI 51-102, the Filer is required to file a BAR in respect of the Acquisition within 75 days after completion of it.
- 15. For the same reasons applicable to the financial information included in the IPO Prospectus, the Filer cannot comply with the requirements under Section 8.4 of NI 51-102 in respect of the annual and interim financial statements of the Acquired Business as a whole, prepared in accordance with IFRS, and the pro forma financial statements required to be included in a BAR in connection with the Acquisition.

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.

- 1. The decision of the Decision Makers under the Legislation is that the Short Form Qualification Exemption Sought is granted, provided that:
 - (a) the Filer is not exempt from the requirement in NI 51-102 to file annual financial statements within a prescribed period after its financial year end;
 - (b) the Filer has not yet been required under NI 51-102 to file annual financial statements;
 - (c) the Filer has not yet filed annual financial statements under NI 51-102; and
 - (d) the Filer includes or incorporates by reference in each preliminary short form prospectus and short form prospectus, if either is filed: (i) the Financial Statements (including the MD&A related thereto), the Encana Development Properties Information and the Acquired Business Reserves Report included in the IPO Prospectus, in each case for the periods required to be incorporated by reference therein under NI 44-101, and (ii) the information contained in the IPO Prospectus that would otherwise have been required to have been included in a current AIF.
- 2. The decision of the Decision Makers under the Legislation is that the BAR Exemption Sought is granted, provided that the Filer incorporates by reference into the BAR in connection with the Acquisition the Third

Party Royalty Business Financial Statements, the Encana Development Properties Information and the Acquired Business Reserves Report.

"Denise Weeres"
Manager, Legal
Corporate Finance

Appendix “A” – Excerpt from IPO Prospectus

“EXEMPTIONS FROM CERTAIN DISCLOSURE REQUIREMENTS

*The Company has applied to the Alberta Securities Commission, as principal regulator on behalf of the securities regulatory authorities in the other provinces of Canada (other than Ontario), and to the Ontario Securities Commission, for exemptive relief from Sections 32.2 and 32.3 of Form 41-101F1 – Information Required in a Prospectus (**Form 41-101F1**), as prescribed under National Instrument 41-101 – General Prospectus Requirements. Those provisions require that the Company include in this prospectus: (i) annual financial statements for each of the three most recently completed financial years of the Acquired Business, being the years ended December 31, 2013, 2012 and 2011; and (ii) interim financial statements for the most recently completed interim period and corresponding interim period in the immediately preceding financial year for the Acquired Business, being the three months ended March 31, 2014 and March 31, 2013. The Company will acquire the Acquired Business pursuant to the Purchase and Sale Agreement. Initially, the Acquired Business will comprise the principal undertaking of the Company and may, therefore, be viewed as the primary businesses of the Company pursuant to Section 32.1(1)(b) of Form 41-101F1. The Company sought exemptive relief from the requirements to include in this prospectus the financial statements described above.*

The Company has instead included: (i) audited financial statements of the Company as at and for the period commencing on November 27, 2013 and ending on December 31, 2013, and unaudited financial statements of the Company as at and for the three months ending March 31, 2014, in each case prepared in accordance with IFRS; (ii) audited financial statements for the Third Party Royalty Business as at December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, and unaudited financial statements for the Third Party Royalty Business as at March 31, 2014 and for the three months ended March 31, 2014 and March 31, 2013; in each case prepared in accordance with IFRS; and (iii) certain supplemental financial and production information, both historical and forward-looking, in respect of the Encana Development Properties, prepared based on the assumption that the Lease Issuance and Administration Agreements proposed to be entered into between Encana and the Company upon completion of the Acquisition were in place during the relevant time periods. The issuance by the Alberta Securities Commission of a receipt for the final prospectus constitutes evidence of the granting of the Exemptive Relief.”

2.1.3 Northwest & Ethical Investments L.P. and NEI Northwest Tactical Yield Corporate Class

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from multi-layering prohibition in paragraph 2.5(2)(b) of NI 81-102 to permit a mutual fund to invest in a fund that invests more than 10% of its net asset value in other funds – The three-tier fund structure is analogous to the current multi-layering exception in NI 81-102 – Relief from the requirement to obtain the approval of securityholders before changing the fundamental investment objectives of a mutual fund – Relief required as a result of changes to federal budget eliminating certain tax benefits associated with character conversion transactions – Required to send written notice at least 60 days before the effective date of the change to the investment objectives of the fund setting out the change (including the shift to a fund of fund three tier structure), the reasons for such change, a statement that the fund will no longer distribute gains under forward contracts that are treated as capital gains for tax purposes.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 2.5(2)(b), 5.1(c), 19.1.

July 18, 2014

**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
NORTHWEST & ETHICAL INVESTMENTS L.P.
(the Filer)**

AND

**IN THE MATTER OF
NEI NORTHWEST TACTICAL YIELD CORPORATE CLASS
(the Fund)**

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the Fund for a decision under the securities legislation of the Jurisdiction (the **Legislation**) exempting the Fund from:

- (i) 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 **Investment Objective Change Exemption**);
- (ii) section 2.5(2)(b) of NI 81-102 to permit the Fund to purchase or hold securities of the Trust Fund (as defined below), which Trust Fund will hold more than 10% of its net asset value in, amongst other things, securities of one or more Third Tier Funds (as defined below) (the **Three-Tier Investing Exemption**),

(together, the **Exemptions Sought**).

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

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

- (b) the Filer has provided notice that section 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 (together with Ontario, the **Jurisdictions**).

Interpretation

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

NI 81-101 means National Instrument 81-101 *Mutual Fund Prospectus Disclosure*.

Third Tier Fund means each mutual fund in which the Trust Fund may invest from time to time in accordance with NI 81-102.

Trust Fund means NEI Northwest Tactical Yield Fund.

Representations

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

The Filer

1. The Filer is a limited partnership established by the filing of a Declaration of Limited Partnership under the *Limited Partnerships Act* (Ontario) on September 28, 2007 with its head office in Toronto, Ontario.
2. The Filer is registered as an investment fund manager in British Columbia, Newfoundland and Labrador, Ontario and Quebec, and as a portfolio manager in Ontario.
3. The Filer acts as manager of the Fund and the Trust Fund.
4. The Third Tier Funds may be managed by the Filer, its affiliates and/or other investment fund managers unrelated to the Filer.
5. The Filer is the portfolio manager of the Trust Fund and Aviva Investors Americas, LLC is the sub-advisor of the Trust Fund.
6. The Filer is not in default of securities legislation in any of the Jurisdictions.

The Fund, the Trust Fund and the Third Tier Funds

7. The Fund is a class of Northwest Corporate Class Ltd., a mutual fund corporation established under the laws of the Province of Ontario, and is a reporting issuer under the laws of each Jurisdiction subject to NI 81-102.
8. The Trust Fund is an open-end mutual fund trust established under the laws of the Province of Ontario, and is a reporting issuer under the laws of each Jurisdiction subject to NI 81-102.
9. Each Third Tier Fund is or will be either an open-end mutual fund trust that has or will be created under the laws of one or more Jurisdictions or a class of a mutual fund corporation, and is or will be a reporting issuer under the laws of each Jurisdiction subject to NI 81-102, subject to any relief therefrom granted by applicable securities regulatory authorities.
10. The securities of the Fund, the Trust Fund and each Third Tier Fund are or will be qualified for distribution pursuant to a simplified prospectus, annual information form and Fund Facts that is or will be prepared and filed in accordance with NI 81-101. The securities of the Fund and the Trust Fund are qualified for distribution pursuant to a simplified prospectus, annual information form and Fund Facts dated June 26, 2014 (SEDAR project number 02207619) (the **Final Prospectus**). The Trust Fund offers series A, T, F, I P and PF units under the Final Prospectus. The Fund offers series A, F, and T shares under the Final Prospectus.
11. A material change report and press release will be filed announcing the amendment to the Fund's investment objectives pursuant to the Exemptions Sought.
12. Neither the Fund nor the Trust Fund is in default of securities legislation in any of the Jurisdictions. However, under its current investment objectives and strategies, when the Fund entered into Character Conversion Transactions from November 16, 2011 to March 25, 2014, the Fund inadvertently invested using a three-tier structure, contrary to section

2.5 of NI 81-102, because it maintained a position in a specified derivative for which the underlying interest was a security of another mutual fund, and was accordingly considered to be holding a security of that other mutual fund for the purposes of section 2.5 of NI 81-102.

Investment Objective Change Exemption

The Current Investment Objective of the Fund

13. Under its current investment objective and strategies, the 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 reference fund (i.e., the Trust Fund). The current investment objective of the Fund is set out below:

The Fund aims to provide a return that is similar to the return of a tactical yield fund (the “reference fund”) managed by the Manager (less transaction and hedging costs). The reference fund aims to generate a high level of income while providing some potential for capital growth primarily through exposure to a portfolio of fixed income and high yielding equity securities. The reference fund uses a tactical approach to asset allocation based on the attractiveness of the asset class and potential return.

The Fund invests primarily in Canadian equity securities and hedges its equity risks by entering into forward contracts or other permitted derivatives that provide the Fund with a return based on the performance of the reference fund.

Where, in the opinion of the Portfolio Manager, it is advantageous to investors, the Fund may also invest directly in securities similar to the types held by the reference fund.

14. The “tactical yield fund” referred to in the investment objectives of the Fund is the Trust Fund, and the name of the Trust Fund has been stated in the investment strategies of the Fund in each simplified prospectus of the Fund and each Fund Facts of the Fund since its creation.

15. The name of the Fund includes part of the name of the Trust Fund.

The investment objectives of the Trust Fund are: “to generate a high level of income while providing some potential for capital growth primarily through exposure to a portfolio of fixed income and high yielding equity securities. The Fund uses a tactical approach to asset allocation based on the attractiveness of the asset class and potential return.”

The Change of Investment Objective of the Fund

16. 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.
17. On April 8, 2013, the Filer issued a press release announcing the temporary closing of the Fund effective April 12, 2013. The Fund continues to remain closed to new investors.
18. The Filer has determined that given the elimination of the tax benefits associated with Character Conversion Transactions, it would be more efficient and less costly for the Fund if the Fund achieves its investment objectives by investing all, or substantially all, of its assets directly in units of the Trust Fund. The Filer has also determined that this will also provide investors in the Fund with the least amount of tracking error. Any adjustment made by the Trust Fund to its Third Tier Funds is made by simply acquiring or redeeming securities of the Third Tier Fund in the ordinary course and automatically results in a corresponding indirect adjustment to the Fund’s exposure to that Third Tier Fund.
19. In the Final Prospectus, the Filer has reflected an amendment to the investment objective of the Fund to remove all references to the use of Character Conversion Transactions to gain exposure to the Trust Fund and to clarify in its investment objectives that the Fund will invest directly in securities of the Trust Fund. The revised investment objective of the Fund is as set out below:

The Fund aims to provide a return that is similar to the return of NEI Northwest Tactical Yield Fund (the “Underlying Fund”), which is a tactical yield fund managed by the Manager, by investing substantially all of its assets in units of the Underlying Fund. The Underlying Fund aims to generate a high level of income while providing some potential for capital growth primarily through exposure to a portfolio of fixed income and high yielding equity securities. The Underlying Fund uses a

tactical approach to asset allocation based on the attractiveness of the asset class and potential return. The Underlying Fund may invest in securities of other mutual funds.

Three-Tier Investing Exemption

20. The Fund is intended to provide investors a version of the Trust Fund but with the flexibility to switch to another mutual fund that is a class of the same mutual fund corporation on a tax-deferred basis. The Fund seeks a similar return to that of the Trust Fund by investing all or substantially all of its assets in units of the Trust Fund that has the same investment objective as the Fund.
21. The Trust Fund is a fund-of-funds that invests directly in one or more Third Tier Funds and may also invest directly in cash, bonds or other debt securities, fixed income securities, other income-producing securities and/or equity securities.
22. Each Third Tier Fund primarily invests, or will invest, directly in a portfolio of securities and/or other assets.
23. An investment by the Trust Fund in securities of the Third Tier Funds is and will be made in accordance with the provisions of section 2.5 of NI 81-102 (or pursuant to an exemption therefrom), including the prohibition that no Third Tier Fund will hold more than 10% of its net asset value in securities of other mutual funds unless otherwise permitted by NI 81-102.
24. An investment by the Fund in units of the Trust Fund will be made in accordance with the provisions of section 2.5 of NI 81-102, except for the requirements in section 2.5(2)(b) of NI 81-102, as the Fund's investment in units of the Trust Fund would result in a multi-tier fund structure with respect to the Trust Fund's investment in one or more Third Tier Funds. This multi-tier fund structure does not fit within the exceptions to section 2.5(2)(b) found in section 2.5(4) of NI 81-102.
25. The simplified prospectus of the Fund discloses (i) in the investment objective, that the Fund aims to provide a return that is similar to the Trust Fund, which in turn, invests in Third Tier Funds, and the name of the Trust Fund that the Fund invests in, and (ii) in the investment strategies, the investment strategies of the Trust Fund.
26. The simplified prospectus of the Fund discloses that the accountability for portfolio management is (a) at the level of the Trust Fund with respect to the selection of Third Tier Funds to be purchased by the Trust Fund and with respect to the purchase and sale of any other portfolio securities held by the Trust Fund and (b) at the level of the applicable Third Tier Fund with respect to the purchase and sale of portfolio securities and other assets held by that Third Tier Fund.
27. There will be no duplication of fees between each tier of the multi-tier structure. The simplified prospectus of the Fund and the Trust Fund discloses that fees and expenses will not be duplicated as a result of investments in other mutual funds.
28. The Fund will comply with the requirements under National Instrument 81-106 *Investment Fund Continuous Disclosure* relating to top 25 positions portfolio holdings disclosure in its management reports of fund performance and the requirements in Form 81-101F3 *Contents of Fund Facts Document* relating to top 10 positions portfolio holdings disclosure in its Fund Facts as if the Fund were investing directly in the portfolio of the Trust Fund.
29. The Three-Tier Investing Exemption, which will result in the Fund investing directly in the Trust Fund, which in turn invests in one or more Third Tier Funds, is akin to, and no more complex than, the three-tier structure currently permitted under section 2.5(4)(a) of NI 81-102.
30. An investment by the Fund in the Trust Fund and by the Trust Fund in the applicable Third Tier Funds represents the business judgment of responsible persons uninfluenced by considerations other than the best interests of the Fund and of the Trust Fund, respectively.
31. The Filer has determined that it would be in the best interests of the Fund and not prejudicial to the public interest to receive the Three-Tier Investing Exemption.

Decision

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

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

- (a) 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, and
- (b) in respect of the Three-Tier Investing Exemption,
 - (i) the proposed investment of the Fund in the Trust Fund is otherwise made in compliance with all other requirements of section 2.5 of NI 81-102,
 - (ii) the investment objectives of the Fund as stated in the simplified prospectus and the information under the section "What does the fund invest in?" in the Fund Facts of the Fund, state the name of the Trust Fund.

"Vera Nunes"

Manager, Investment Funds and Structured Products Branch
Ontario Securities Commission

2.1.4 Scotia Capital Inc.

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Large investment dealer, futures commission merchant and derivatives dealer with three distinct operating divisions exempted from the requirement to register an individual as a chief compliance officer (CCO) – permitted to register three CCOs, one for each operating division, for a period of two years, to provide the firm with the opportunity to integrate the compliance systems of the two retail operating divisions.

Statutes cited

National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, ss. 11.3, 15.1. Derivatives Act (Québec) and Derivatives Regulation (Québec), ss. 86 and 11.1, respectively.

Decisions cited

In the Matter of Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc. and RBC Dominion Securities Inc., dated February 19, 2010

July 16, 2014

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO AND QUÉBEC

AND

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

AND

IN THE MATTER OF
THE DERIVATIVES LEGISLATION OF QUÉBEC

AND

IN THE MATTER OF
SCOTIA CAPITAL INC.
(the Filer)

DECISION

Background

The principal regulator in Ontario (the **Jurisdiction**) has received an application from the Filer, pursuant to subsection 15.1(1) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**), for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) exempting the Filer from the requirement (the **CCO Requirement**) contained in section 11.3 of NI 31-103 to designate an individual to be the chief compliance officer (**CCO**) so that the Filer may designate and register three individuals to be CCO, one for each of its three distinct lines of securities business, each a substantial business operation for the Filer (the **Exemption Sought**).

The securities regulatory authority in Québec (the **Derivatives Decision Maker**) has received an application from the Filer, pursuant to section 86 of the *Derivatives Act* (Québec), for a decision under the derivatives legislation of Québec exempting the Filer from the requirement (the **Derivatives CCO Requirement**) contained in section 11.1 of the *Derivatives Regulation* (Québec) to designate an individual to be the CCO so that the Filer may designate and register three individuals to be CCO, one for each of its three distinct lines of securities business, each a substantial business operation for the Filer (the **Derivatives Exemption Sought**).

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

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

- (b) the Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in all of the other provinces and territories of Canada (together with the Jurisdiction, the **Jurisdictions**);
- (c) the decision with respect to the Exemption Sought is the decision of the principal regulator; and
- (d) the decision with respect to the Derivatives Exemption Sought evidences the decision of the Derivatives Decision Maker.

By a decision dated February 19, 2010 *In the Matter of Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc. and RBC Dominion Securities Inc.*, the Director of the Ontario Securities Commission as the principal regulator exempted Scotia Capital Inc. (**SCI**) from the CCO Requirement so that SCI could designate and register two individuals as CCO, one for each of its two distinct lines of securities business (the **Prior Director's Decision**). A copy of the Prior Director's Decision is attached at Schedule "A".

The Prior Director's Decision should be reconsidered at this time because SCI subsequently amalgamated with an affiliate, effective as of November 1, 2013, resulting in the amalgamated entity (i.e., the Filer) having three distinct lines of securities business, each a substantial business operation for the Filer (the **Amalgamation**).

Interpretation

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

Representations

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

The Filer

- 1. The Filer is a corporation amalgamated under the laws of Ontario on November 1, 2013, and is wholly-owned by the Bank of Nova Scotia.
- 2. The Filer's head office is located in Toronto, Ontario.
- 3. The Filer is registered as:
 - (a) an investment dealer in each of the Jurisdictions;
 - (b) a futures commission merchant in each of Ontario and Manitoba; and
 - (c) a derivatives dealer in Quebec.
- 4. The Filer is a dealer member of the Investment Industry Regulatory Organization of Canada.
- 5. The Filer is not in default of any requirements of the *Securities Acts* (the **Acts**) of the Jurisdictions, or the regulations, rules and forms, as applicable, under the Acts; nor is the Filer in default of any rulings or orders issued by the securities regulatory authorities of the Jurisdictions.

The Divisions

- 6. Effective as of November 1, 2013:
 - (a) SCI amalgamated with its affiliate, DWM Securities Inc. (**DWM Securities**), to form the Filer, which carries on business under the name "Scotia Capital Inc."; and
 - (b) The Filer carries on the Canadian investment dealer business formerly carried on by each of SCI and DWM Securities through the following three distinct lines of securities business, each a substantial business operation for the Filer (each, a **Division**):
 - (i) HollisWealth, which prior to the Amalgamation was DWM Securities, and which currently comprises the full service retail brokerage business conducted by agents of the Filer (the **HollisWealth Division**);

- (ii) ScotiaMcLeod, which prior to the Amalgamation was a division of SCI, and which currently comprises the full service retail brokerage business and the Scotia iTrade discount online brokerage business conducted by employees of the Filer (the **ScotiaMcLeod Division**); and
 - (iii) Global Banking and Markets, which prior to the Amalgamation was a division of SCI, and which currently comprises the institutional business conducted by employees of the Filer (the **Global Banking and Markets Division**).
- 7. The Divisions have separate, distinct and independent:
 - (a) senior managers (each, a **Division Head**);
 - (b) compliance departments;
 - (c) oversight, supervisory and compliance systems; and
 - (d) personnel and infrastructure.
- 8. Upon the Exemption Sought and the Derivatives Exemption Sought being granted, the Divisions will have separate, distinct and independent CCOs, each having access and reporting to the Division Head of the respective Division for which the CCO is designated, as well as the Filer's board of directors (the **Board**).
- 9. Although they are parts of the same corporate entity, namely the Filer, each Division functions as a stand-alone, substantial business operation within the Filer based on the nature of the clients, the types of securities products and services which are provided to them, and whether dealing representatives will be agents or employees of the Filer.
- 10. The ScotiaMcLeod Division is a full service retail brokerage firm with over 750 advisors serving clients in more than 70 offices across the country. The Global Banking and Markets Division provides corporate and investment banking and capital markets products and services to corporate, institutional and government clients domestically and internationally, with over 30 offices globally and more than 300 relationship managers organized around industry specialties. The HollisWealth Division is a full service retail brokerage firm with over 450 advisors servicing clients in more than 44 offices across the country.

The CCO

- 11. Pursuant to the Prior Director's Decision, SCI was exempted from the CCO Requirement so that SCI could designate and have registered two individuals as CCO, one for each of its two distinct lines of securities business, namely the ScotiaMcLeod Division (the **Retail CCO**) and the Global Banking and Markets Division (the **Institutional CCO**). Accordingly, pursuant to the Prior Director's Decision, there are two CCOs designated and registered for the Filer.
- 12. Following the Amalgamation, the Retail CCO became responsible for an additional Division, namely the HollisWealth Division. Accordingly, the Retail CCO is currently responsible for two retail Divisions, the HollisWealth Division and the ScotiaMcLeod Division. The Institutional CCO remains responsible for the Global Banking and Markets Division only.
- 13. Upon the Exemption Sought and the Derivatives Exemption Sought being granted, the Filer proposes that each Division have its own CCO. The Retail CCO will be responsible for the ScotiaMcLeod Division, the Institutional CCO will be responsible for the Global Banking and Markets Division, and a new CCO will be designated and registered to be responsible for the HollisWealth Division.
- 14. There will be no line(s) of reporting between the CCOs. The CCO of each Division will report directly to the ultimate designated person (**UDP**) of that Division and will have direct access to the Board. The CCOs of the retail Divisions, namely the ScotiaMcLeod Division and the HollisWealth Division, will report to a single UDP.

Reasons for the Exemption Sought and the Derivatives Exemption Sought

- 15. Pursuant to the CCO Requirement and the Derivatives CCO Requirement, a registered firm is required to designate and have registered an individual to be the CCO.
- 16. Section 5.2 *Responsibilities of the chief compliance officer* of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* states, in part, that:

"Firms must designate one CCO. However, in large firms, the scale and kind of activities carried out by different operating divisions may warrant the designation of more than one CCO. [The Canadian

Securities Administrators] will consider applications, on a case-by-case basis, for different individuals to act as the CCO of a firm's operating divisions."

17. Granting the Exemption Sought and the Derivatives Exemption Sought would be consistent with the policy objectives that the CCO Requirement and the Derivatives CCO Requirement are intended to achieve, because each of the Filer's Divisions is an independent operation that is distinct from the other Divisions and is conducted on a very large scale.
18. Given the size, autonomy and complexity of each Division, granting the Exemption Sought and the Derivatives Exemption Sought allows each CCO to communicate and engage directly with the Division for which he/she is the designated CCO for more effective management of compliance programs tailored to the needs of the business. Not granting the Exemption Sought and the Derivatives Exemption Sought would have the detrimental effect of reducing the CCOs' effectiveness in this regard.
19. Each of the CCOs will oversee a compliance system that is designed to ensure that his/her respective Division, and each person acting on that Division's behalf, comply with applicable securities legislation and derivatives legislation and manage the risks associated with that Division in accordance with prudent business practices.
20. Upon the Exemption Sought and the Derivatives Exemption Sought being granted, each of the CCOs will have direct access to the UDP for his/her respective Division, will report as required to the Board and will comply in all other respects with applicable securities legislation and derivatives legislation, including the requirements set out in NI 31-103 and the *Derivatives Regulation* (Québec) and the *Derivatives Act* (Québec), respectively.
21. Allowing the Filer to designate and have registered three CCOs, one for each of its Divisions, is:
 - (a) consistent with the policy objectives of the CCO Requirement and the Derivatives CCO Requirement;
 - (b) consistent with the Prior Director's Decision; and
 - (c) consistent with other decisions of the principal regulator granted in similar circumstances, for example the decision dated May 17, 2012 *In the Matter of TD Asset Management Inc.*, which granted the filer exemptive relief to designate and register two CCOs, one for each of its two distinct lines of business.
22. While the Filer is not aware of exemptive relief being granted to permit a registered firm to designate and register three CCOs, there is no public policy basis on which such exemptive relief should be denied when the same rationale for permitting the designation and registration of two CCOs applies, namely that there are distinct lines of business of a large scale that warrant separate CCOs. This was recognized in a slightly different context in the decision dated January 19, 2011 *In the Matter of TD Waterhouse Canada Inc.*, where the filer was permitted to designate and register three UDPs, one for each of its three distinct lines of business.

Decision

Each of the principal regulator and the Derivatives Decision Maker is satisfied that the decision meets the test set out in the Legislation and the *Derivatives Act* (Québec) for the principal regulator and the Derivatives Decision Maker, respectively, to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted so that the Filer may have a separate CCO for each of its three Divisions, provided that:

- (a) each Division shall have its own CCO;
- (b) only one individual is the CCO of each Division;
- (c) each CCO reports to the UDP of the Division for which he/she is the designated CCO;
- (d) each CCO fulfills the responsibilities set out in section 5.2 of NI 31-103, or any successor provision thereto, in respect of the Division for which he/she is the designated CCO;
- (e) each CCO has direct access to the Board;
- (f) this decision will terminate two years from the date hereof to provide the Filer with the opportunity to integrate the compliance systems of the retail Divisions, namely the ScotiaMcLeod Division and the HollisWealth Division; and

- (g) the Prior Director's Decision will not be relied upon by the Filer to exempt the Filer from the CCO Requirement.

The decision of the Derivatives Decision Maker under the *Derivatives Act* (Québec) is that the Derivatives Exemption Sought is granted so that the Filer may have a separate CCO for each of its three Divisions, provided that:

- (a) each Division shall have its own CCO;
- (b) only one individual is the CCO of each Division;
- (c) each CCO reports to the UDP of the Division for which he/she is the designated CCO;
- (d) each CCO fulfills the responsibilities set out in section 11.11 of the Derivatives Regulation (Québec), or any successor provision thereto, in respect of the Division for which he/she is the designated CCO;
- (e) each CCO has direct access to the Board; and
- (f) this decision will terminate two years from the date hereof to provide the Filer with the opportunity to integrate the compliance systems of the retail Divisions, namely the ScotiaMcLeod Division and the HollisWealth Division.

"Marrianne Bridge"

Deputy Director, Compliance and Registrant Regulation
Ontario Securities Commission

Schedule “A”

(See attached Prior Director’s Decision)

February 19, 2010

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

AND

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

AND

**IN THE MATTER OF
SCOTIA CAPITAL INC., BMO NESBITT BURNS INC.,
CIBC WORLD MARKETS INC. AND RBC DOMINION SECURITIES INC.
(each a Filer or collectively, the Filers)**

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filers for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) for an exemption for each Filer from the requirement contained in section 11.2 of National Instrument 31-103 *Registration Requirements and Exemptions* (**NI 31-103**) to designate an individual to be the ultimate designated person (**UDP**) and the requirement contained in section 11.3 of NI 31-103 to designate an individual to be the chief compliance officer (**CCO**) and instead be permitted to designate and register two individuals as UDP and two individuals as CCO in respect of two distinct lines of securities business of the Filer (the **Exemption Sought**).

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

- (a) the Ontario Securities Commission is the principal regulator for this application; and
- (b) the Filers have provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in all of the jurisdictions in Canada outside of Ontario (the **Non-principal Jurisdictions**, or together with the Jurisdiction, the **Filing Jurisdictions**).

Interpretation

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

Representations

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

- 1. The Filer is registered under the Legislation in the category of investment dealer, is a member of the Investment Industry Regulatory Organization of Canada (**IIROC**) and has its head office in Ontario.
- 2. The Filer is also registered as an investment dealer in each of the Non-principal Jurisdictions.
- 3. The Filer is not, to the best of its knowledge, in default of any requirements of securities legislation in any of the Filing Jurisdictions.
- 4. The Filer’s business structure is organized as follows:
 - (a) There are two distinct lines of securities business based on the nature of the client (each a **Division**).

- (b) One business line is referred to as the Institutional or Wholesale Banking Division (the **Institutional Division**) and provides a broad spectrum of services to institutional clients including equity, derivative and fixed income sales and trading; equity and fixed income research; investment banking; mergers and acquisitions and prime brokerage.
- (c) The other business line is referred to as the Retail Division and provides discretionary managed and non-discretionary advisory and other wealth management related services to retail clients. In Scotia Capital Inc.'s case, the Retail Division also includes online brokerage.
- (d) The Retail Division and the Institutional Division each have separate and distinct senior management structures. Although they are parts of the same corporate entity (i.e. the Filer), and regardless of the titles of their most senior managers (for purposes of this Order, the **Division Heads**), each Division is functionally a stand-alone operation within their parent bank's group of financial services companies.
- (e) Currently, for purposes of IIROC requirements, each of the Retail Division and the Institutional Division has its own UDP except in the case of CIBC World Markets Inc. (**CIBC WM**) where there is a UDP for the Institutional Division and an Alternate Designated Person (**ADP**) for the Retail Division. The UDP or ADP is the Division Head. If exemptive relief is granted, CIBC WM will appoint a UDP for its Retail Division.
- (f) At least one of the Division Heads has the title of Chief Executive Officer (**CEO**).
- (g) Regardless whether a Division Head has the title of CEO (or "co-CEO"), the Division Heads have equivalent roles to that of a CEO in respect of the Division for which the Division Head is responsible. Each Division Head reports independently to the senior management team of the Filer's parent bank in respect of their Division and each has access to the Filer's Board of Directors.
- (h) There is no line of reporting between the Division Heads and no other executive officer of the Filer who has the authority to overrule a decision of either or both of them.
- (i) There is a separate compliance department with its own CCO for each of the Retail Division and the Institutional Division and each CCO has access to their Division Head and regularly provides reports to the Board of Directors.

This decision is also based on the following facts represented by the Filers.

UDP Requirement

- 1. NI 31-103 was implemented on September 28, 2009 (the **Implementation Date**).
- 2. Under paragraph 11.2(a) of NI 31-103, a registered firm is required to designate an individual to be the UDP (the **UDP Requirement**) and the UDP must be the CEO or equivalent of the registered firm.
- 3. Under section 16.8 of NI 31-103, there is a 3-month transition period from the Implementation Date for a registered firm to comply with the UDP Requirement.
- 4. Prior to the implementation of NI 31-103, there was no requirement under the securities legislation of any Filing Jurisdiction for an investment dealer to designate an individual, and have him or her registered, as the UDP.
- 5. Prior to the implementation of NI 31-103, under IIROC Rules, there was a requirement for a member to have a UDP which had to be one of the member's senior management. IIROC Rule 38 required a member to appoint a senior management person to the UDP position but did not require the person to be the CEO.
- 6. Prior to the implementation of NI 31-103, each Filer was permitted by IIROC to have two individuals in the position of UDP. Each Filer, except CIBC WM, has had two UDPs for a number of years – one for the Retail Division and one for the Institutional Division. CIBC WM has had the UDP and ADP structure, which is functionally equivalent to having two UDPs, for many years as well.
- 7. Designating only one of the Division Heads for purposes of satisfying the UDP Requirement would not be consistent with the policy objectives it is intended to achieve because the Division Heads are effectively CEOs of their Divisions.

CCO Requirement

1. Under section 11.3 of NI 31-103, a registered firm is required to designate an individual to be the CCO (the **CCO Requirement**).
2. Under subsection 16.9(1) of NI 31-103, there is a 3-month transition period from the Implementation Date for a registered firm to comply with the CCO Requirement.
3. Prior to the implementation of NI 31-103, there was a requirement under the securities legislation of many of the Filing Jurisdictions to designate a registered partner or officer as the “compliance officer” who was responsible for discharging the obligations of the registered dealer under the applicable securities legislation.
4. Prior to the implementation of NI 31-103, under IIROC rules, there was a requirement for a member to appoint a senior officer to the position of Chief Compliance Officer (as defined under IIROC Rules).
5. Prior to the Implementation Date, each Filer was permitted by IIROC to have two individuals fulfil the role of Chief Compliance Officer under IIROC rules that is equivalent to the role of CCO under NI 31-103. Consequently, each Filer has had two CCOs, one for the Retail Division and one for the Institutional Division, for a number of years.
6. In section 5.2 of Companion Policy 31-103CP *Registration Requirements and Exemptions*, the Canadian Securities Administrators indicate that:

“Firms must designate one CCO. However, in large firms, the scale and kind of activities carried out by different operating divisions may warrant the designation of more than one CCO. We will consider applications, on a case-by-case basis, for different individuals to act as the CCO of a firm’s operating divisions.”
7. Designating only one of the current CCOs for purposes of satisfying the CCO Requirement would not be consistent with the policy objectives it is intended to achieve because the Divisions are independent operations that are distinct from one another in kind and conducted on a very large scale.

Decision

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

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted to each Filer provided that in respect of each Filer:

- (i) each Division shall have its own UDP, who shall be its Division Head; and
- (ii) each Division shall have its own CCO.

“Erez Blumberger”
Deputy Director, Registrant Regulation
Ontario Securities Commission

2.2 Orders

2.2.1 Kingship Capital Corporation et al. – s. 8(3)

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

AND

**IN THE MATTER OF
KINGSHIP CAPITAL CORPORATION,
2389401 ONTARIO INC., KENNETH WHITE,
DAVID HOPPS, STUART MCKINNON and
PRO-FINANCIAL ASSET MANAGEMENT INC.**

**ORDER
(Subsection 8(3))**

WHEREAS on July 9 and 10, 2014, the Ontario Securities Commission (the "Commission") held a hearing under subsection 8(2) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") (the "Hearing and Review") to consider an application dated March 12, 2014 (the "Application") brought by Kingship Capital Corporation ("KCC"), 2389401 Ontario Inc. ("238 Inc."), Kenneth White ("White"), David Hopps ("Hopps") (collectively, the "KCC Parties"), Stuart McKinnon ("McKinnon") and Pro-Financial Asset Management Inc. ("PFAM") (collectively, the "Applicants");

AND WHEREAS the purpose of the Hearing and Review was to: (a) consider the Application in a *de novo* hearing pursuant to subsection 8(2) of the Act of two decisions by a Director of the Commission in its Compliance and Registrant Regulation Branch (the "Director") set forth in a letter dated February 10, 2014 sent to then counsel to the Applicants (the "Decisions") that objected to (i) the PFAM Transaction (as defined below) pursuant to section 11.9 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103"), and (ii) the KCC Transaction (as defined below) pursuant to section 11.10 of NI 31-103; (b) consider the Applicants' request for an order approving those transactions; and (c) make such other order as the Commission may consider appropriate;

AND WHEREAS the Application relates to a transaction under which KCC, a corporation currently owned by White, proposes to acquire all of the interests of PFAM in the investment management contracts for certain prospectus-qualified mutual funds known as the Pro-Index Funds (the "Funds"), and in discretionary managed accounts of investors with PFAM (the "PFAM Transaction");

AND WHEREAS 238 Inc., a corporation owned by Hopps, proposes, concurrently with the completion of the PFAM Transaction, to acquire all of the outstanding shares of KCC (the "KCC Transaction");

AND WHEREAS the PFAM Transaction is conditional upon KCC obtaining registration as an investment fund manager and as an exempt market dealer

under the Act but the Application does not address those matters;

AND WHEREAS in connection with the Hearing and Review, the Applicants filed the affidavits of Hopps, White and McKinnon and staff of the Commission ("Staff") filed affidavits of three members of Staff;

AND WHEREAS counsel for the Applicants and Staff appeared at the Hearing and Review and made submissions, and the Commission heard testimony from five of the witnesses that filed affidavits and heard the cross-examination of those witnesses;

AND WHEREAS on the recommendation of Staff, the Director objected to the Transactions on various grounds set forth in the Decisions, and it appears to me that Staff's concerns, and the Director's Decisions, were appropriate and reasonable in the circumstances;

AND WHEREAS my consideration of the Application is a fresh consideration of these matters as if no decision was previously rendered by the Director and the Applicants do not have the onus of showing that the Director's Decisions were in error;

AND WHEREAS it appears that the PFAM Transaction and the KCC Transaction (the "Transactions") are bona fide commercial transactions and that the KCC Parties deal at arm's length with PFAM and McKinnon;

AND WHEREAS KCC and Hopps have proposed material changes to the terms and conditions of the PFAM Transaction from the terms and conditions of that transaction that were before Staff and the Director, and those changes address, but do not resolve from Staff's perspective, a number of the principal concerns of Staff;

AND WHEREAS the proposed changes to the PFAM Transaction include (a) Hopps increasing the working capital of KCC by \$100,000 and expressing his intention to consider further capital contributions to KCC depending on future circumstances; (b) reducing McKinnon's future role in KCC such that he will not be a director, officer or shareholder of KCC; and (c) proposing that North Star Compliance and Regulatory Solutions Inc. ("North Star Compliance") be retained to assist KCC in complying with its regulatory obligations under NI 31-103 following the completion of the PFAM Transaction;

AND WHEREAS KCC intends to enter into an agreement with McKinnon under which McKinnon will provide on-going services to KCC in a role that will not require McKinnon to be registered in any capacity under the Act;

AND WHEREAS while McKinnon will benefit to some extent from the Transactions, he is walking away from a substantial investment in PFAM and he would, in any event, likely have benefitted from any other sale of PFAM or of its assets;

AND WHEREAS Hopps has required as a condition of the PFAM Transaction that three senior management employees of PFAM, excluding McKinnon, become officers or employees of KCC;

AND WHEREAS the unitholders of the Funds have approved the change in investment fund manager of the Funds from PFAM to KCC;

AND WHEREAS KCC is currently registered under the Act as a portfolio manager, and White is currently registered under the Act as a KCC advising representative, KCC's chief compliance officer and KCC's ultimate designated person;

AND WHEREAS KCC has previously resolved, on a timely basis, significant compliance deficiencies identified by Staff in a general compliance sweep of portfolio managers; those deficiencies related to KCC's role as a portfolio manager and included the failure to maintain adequate regulatory working capital, and the resolution of those deficiencies was acceptable to and confirmed by Staff;

AND WHEREAS White will be the President and a director of KCC after the completion of the Transactions and will be the chief compliance officer and ultimate designated person of KCC responsible in those roles for KCC's compliance with NI 31-103;

AND WHEREAS I find that the PFAM Transaction will not give rise to a conflict of interest or hinder PFAM in complying with securities legislation, within the meaning of NI 31-103;

AND WHEREAS I find that the current unresolved regulatory compliance issues identified by Staff related to PFAM and McKinnon, as reflected in previous temporary orders of the Commission, are not, in the circumstances, a material impediment to the completion of the Transactions; the terms of this Order shall not affect in any way Staff's discretion in addressing those compliance issues or affect those temporary orders;

AND WHEREAS KCC, White and Hopps are well aware of (a) KCC's previous regulatory compliance deficiencies; (b) the current compliance issues involving PFAM and McKinnon; and (c) the importance the Commission places on compliance by registrants with NI 31-103 and, in particular, with the requirements for excess regulatory working capital;

AND WHEREAS KCC has a limited operating history and limited financial resources, but the financial resources of KCC following the Transactions will be substantially better than the current financial circumstances of PFAM;

AND WHEREAS it appears that the PFAM Transaction will be positive for unitholders of the Funds given (a) PFAM's current financial circumstances; and (b) the proposed investment by Hopps in KCC; but, in any event, unitholders of the Funds are entitled, at any time, to

redeem their units of the Funds, and the clients of PFAM are entitled, at any time, to terminate their managed accounts;

AND WHEREAS if the Transactions are not completed, the Funds may have to be wound-up and that winding-up could be prejudicial to unitholders of the Funds;

AND WHEREAS I find, on balance, that the Transactions on the terms and conditions now proposed are not inconsistent with an adequate level of investor protection and are not prejudicial to the public interest;

AND WHEREAS I am not prepared in these circumstances to levy \$43,200 in late fees from the Funds for the failure of PFAM to timely file the financial statements of the Funds;

AND WHEREAS I am of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED that the PFAM Transaction is approved under subsection 11.9(5) of the Act, and the KCC Transaction is approved under subsection 11.10(6) of the Act, subject to the following terms and conditions:

1. The investment of \$350,000 by Hopps pursuant to the Transactions shall be completed upon the terms and conditions disclosed to the Commission at the Hearing and Review and those terms and conditions shall be confirmed in writing to Staff; that written confirmation shall include updated pro forma financial statements for KCC giving effect to the Transactions;
2. KCC shall enter into a consulting agreement under which North Star Compliance will agree to provide ongoing regulatory compliance assistance to KCC, including assistance with respect to compliance with NI 31-103, substantially on the terms and conditions of the draft agreement submitted to the Commission, and those services, or comparable services provided by another consultant acceptable to Staff, shall be provided for a period of at least two years from the date of completion of the Transactions;
3. McKinnon may enter into a contractual relationship with KCC under which he will provide services to KCC that do not require McKinnon's registration under the Act but, except with the prior written consent of the Commission, McKinnon will not be an officer, director or shareholder of KCC or play a similar role in KCC;

4. A copy of any agreement entered into by KCC and/or 238 Inc. with McKinnon, as permitted by this Order, and any agreement relating to his compensation by KCC or 238 Inc., shall be forthwith delivered to Staff;
5. Following the completion of the Transactions, White shall be a director, the President, the chief compliance officer and the ultimate designated person of KCC (the latter two roles within the meaning of NI 31-103);
6. KCC shall upon completion of the Transactions issue a news release publicly announcing the completion of the Transactions and summarizing the conditions referred to in paragraphs 1, 2, 3 and 5 above of this Order, and a copy of this Order shall be sent to the then current unitholders of the Funds and to the then current managed account clients of PFAM;
7. This Order relates only to the approval of the Transactions under subsections 11.9(5) and 11.10(6) of NI 31-103 and to no other matter related to the Applicants or any of them;
8. KCC shall pay to the Commission an application fee of \$3,500 for its application under section 11.10 of the Act and PFAM shall pay to the Commission a fee of \$1,750 as the application fee under OSC Rule 13-502 - Fees (the "Fee Rule") for its application for relief from late fees under the Fee Rule, but the Funds shall be exempt from paying any further late fees for the previous failures by PFAM to timely file financial statements of the Funds; and
9. The Applicants, Staff or any person directly affected by this Order, may apply to the Commission for directions as to the interpretation, scope and application of this Order.

DATED at Toronto this 16th day of July, 2014.

"James E. A. Turner"

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

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

AND

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

AND

**IN THE MATTER OF
A SETTLEMENT AGREEMENT BETWEEN
STAFF AND DAVID HORSLEY**

**ORDER
(Sections 127 and 127.1)**

WHEREAS on May 22, 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 respect of David Horsley ("Horsley");

AND WHEREAS Horsley entered into a Settlement Agreement with Staff of the Commission dated June 26, 2014 (the "Settlement Agreement") in which Horsley agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and upon hearing submissions from counsel for Horsley and from Staff of the Commission;

AND WHEREAS Horsley has undertaken to cooperate with the Commission and Staff in this matter and to appear and testify at the hearing of this matter if requested by Staff;

AND WHEREAS Horsley has also undertaken to consent to any regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the sanctions set out in clauses (b) to (h) below;

AND WHEREAS this Order is made subject to the payment by Horsley of the amount of \$5.6 million as contemplated by paragraph 105 of the Settlement Agreement;

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 6 of subsection 127(1) of the Act, Horsley is reprimanded;
- (c) pursuant to clause 7 of subsection 127(1) of the Act, Horsley resign all positions he holds as a director or officer of an issuer;
- (d) pursuant to clause 8 of subsection 127(1) of the Act, Horsley is permanently prohibited from becoming or acting as a director or officer of any reporting issuer;
- (e) pursuant to clause 8.1 of subsection 127(1) of the Act, Horsley resign all positions he holds as a director or officer of a registrant;
- (f) pursuant to clause 8.2 of subsection 127(1) of the Act, Horsley is permanently prohibited from becoming or acting as a director or officer of a registrant;
- (g) pursuant to clause 8.4 of subsection 127(1) of the Act, Horsley is permanently prohibited from becoming or acting as a director or officer of an investment fund manager;
- (h) pursuant to clause 8.5 of subsection 127(1) of the Act, Horsley is permanently prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter; and
- (i) pursuant to section 127.1 of the Act, Horsley shall pay costs to the Commission in the amount of (CAD)\$700,000, inclusive of interest and HST.

DATED AT TORONTO this 21st day of July, 2014.

“James E. A. Turner”

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions, Orders and Rulings

3.1.1 Sino-Forest Corporation et al.

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

AND

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

SETTLEMENT AGREEMENT BETWEEN STAFF AND DAVID HORSLEY

PART I – INTRODUCTION¹

1. By Notice of Hearing dated May 22, 2012 (the “Notice of Hearing”), the Ontario Securities Commission (the “Commission”) announced that it proposed to hold a hearing, commencing on July 12, 2012, pursuant to sections 127, and 127.1 of the *Securities Act*, R.S.O. 1990, c. S. 5, as amended (the “Act”), to consider whether it is in the public interest to make orders, as specified therein, against Sino-Forest Corporation (“Sino-Forest”), Allen Chan (“Chan”), Albert Ip (“Ip”), Alfred Hung (“Hung”), George Ho (“Ho”), Simon Yeung (“Yeung”) and David Horsley (“Horsley”) (collectively the “Respondents”). Chan, Ip, Hung, Ho and Yeung are referred to collectively as “Overseas Management”. 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 May 22, 2012 (the “Statement of Allegations”).

2. The Commission will issue a further Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 127 and 127.1 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 Horsley.

PART II – JOINT SETTLEMENT RECOMMENDATION

3. Staff agree to recommend settlement of the proceeding initiated by the Notice of Hearing against Horsley (the “Proceeding”) in accordance with the terms and conditions set out below. Horsley consents to the making of an order in the form attached as Schedule “A”, based on the facts set out below.

PART III – AGREED FACTS

A. Sino-Forest

4. Sino-Forest² was a reporting issuer in the province of Ontario as that term is defined in subsection 1(1) of the Act. Between June 30, 2006 and January 11, 2012 (the “Material Time”), the common shares of Sino-Forest were listed on the Toronto Stock Exchange (“TSX”).

5. Sino-Forest was created under the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44, as amended (the “CBCA”) and its registered head office was located in Mississauga, Ontario. Sino-Forest purportedly engaged primarily in the purchase and sale of Standing Timber in the People’s Republic of China (the “PRC”), and its principal executive office was located in Hong Kong.

¹ Staff and Horsley agree that any references to sections of the Act, the Rules or Regulations contained in this Settlement Agreement and any Orders issued by the Commission in relation to this Settlement Agreement are consistent with the Act, Rules or Regulations as they existed at the filing of the Notice of Hearing dated May 22, 2012 and that any terms not defined herein are used as defined in the Statement of Allegations dated May 22, 2012.

² “Sino-Forest” or the “Company” includes all of Sino-Forest’s subsidiaries and companies that it controlled as set out in its public disclosure record and as the context of the Statement of Allegations and this Settlement Agreement require.

6. From February of 2003 until October of 2010, Sino-Forest raised approximately \$3.0 billion (USD)³ in cash from the issuance of equity and debt securities to investors (the "Investors").
7. From June 30, 2006 to March 31, 2011, Sino-Forest's share price grew from \$5.75 (CAD) to \$25.30 (CAD), an increase of 340%. By March 31, 2011 Sino-Forest's market capitalization was well over \$6 billion (CAD).
8. In early June of 2011, the share price of Sino-Forest plummeted after a private analyst made allegations of fraud against Sino-Forest in a report released on June 2, 2011 (the "Muddy Waters Report").
9. On June 2, 2011, the board of Sino-Forest (the "Board") appointed a committee of independent directors (the "Independent Committee") to review and examine the allegations in the Muddy Waters Report and report back to the Board of Sino-Forest.
10. On August 26, 2011, the Commission issued a temporary order that all trading in securities of Sino-Forest cease.
11. On November 15, 2011, Sino-Forest announced that it was deferring the release of its interim financial report for the third quarter of 2011.⁴ Sino-Forest has never filed this interim financial report with the Commission.
12. On January 10, 2012, Sino-Forest issued a news release cautioning that its historic financial statements and related audit reports should not be relied upon.
13. On January 31, 2012, after delivering two interim reports, the Independent Committee delivered its final report to the Board. The Independent Committee could not resolve issues in three identified "core areas" of concern: (i) timber asset verification; (ii) timber asset value; and (iii) revenue recognition.
14. Sino-Forest was required to file its 2011 audited annual financial statements with the Commission by March 30, 2012. That very day, Sino-Forest initiated proceedings in the Superior Court of Justice (Ontario) requesting protection from its creditors under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended (the "CCAA"). Sino-Forest has never filed its 2011 audited annual financial statements with the Commission.
15. On April 4, 2012, the auditors of Sino-Forest resigned.
16. On May 9, 2012, the TSX delisted the shares of Sino-Forest.
17. On May 22, 2012, Staff filed the Statement of Allegations against the Respondents and issued the Notice of Hearing.
18. On January 30, 2013, Sino-Forest announced that it had implemented a plan of compromise and reorganization under the CCAA and the CBCA. As a result of this plan, Sino-Forest ceased to be a reporting issuer in every applicable jurisdiction.
19. On March 4, 2013, all of the outstanding shares of Sino-Forest were cancelled.

B. David Horsley – Chief Financial Officer of Sino-Forest During the Material Time

20. Horsley received his Bachelor of Arts degree from the University of Toronto. He became a member of the Institute of Chartered Accountants of Ontario⁵ and the Institute of Chartered Business Valuators. Horsley also has a corporate finance specialist designation and a chartered director designation.
21. Horsley's association with Sino-Forest started on September 14, 2004 when he was appointed as an independent director on the Board and soon after became a member of Sino-Forest's audit committee. Horsley was then appointed as Senior Vice-President and Chief Financial Officer ("CFO") of Sino-Forest effective October 10, 2005 and resigned from the Board of Directors on or about that date. Throughout the Material Time, Horsley was the CFO of Sino-Forest.
22. On April 5, 2012, Horsley received an Enforcement Notice from Staff related to the matters set out herein. He resigned his position as CFO of Sino-Forest on April 17, 2012.
23. Horsley was responsible for the oversight of all financial aspects of the affairs of Sino-Forest and had the ultimate responsibility for the integrity of Sino-Forest's financial reporting.

³ Unless otherwise stated, all amounts presented in this Settlement Agreement are in United States Dollars.

⁴ The financial year end of Sino-Forest is December 31.

⁵ Now known as the Chartered Professional Accountants of Ontario.

24. During the Material Time, Horsley, as CFO of Sino-Forest, was required to do the following to comply with National Instrument 52-109 ("NI 52-109"):

- (i) certify that he had reviewed Sino-Forest's annual and interim filings, and that based on his review, having exercised reasonable diligence, the annual and interim filings presented fairly in all material respects the financial condition, financial performance and cash flows of Sino-Forest as at and for the period presented and that they did not include misrepresentations;
- (ii) be responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") for Sino-Forest;
- (iii) certify that he supervised the design of DC&P, to provide reasonable assurance that material information relating to Sino-Forest was made known to him and that information that was required to be disclosed by Sino-Forest under Ontario securities laws was recorded, processed, summarized and reported on a timely basis;
- (iv) certify that he supervised the design of ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles;
- (v) certify that Sino-Forest disclosed in its annual Management Discussion and Analysis ("MD&A") a description of all material weaknesses in the design of its ICFR, the impact of any material weaknesses on Sino-Forest's financial reporting and plans for remediation; and
- (vi) certify that he supervised the evaluation of the effectiveness of Sino-Forest's DC&P and ICFR and that Sino-Forest disclosed his conclusions about the effectiveness of Sino-Forest's DC&P and ICFR in its annual MD&A.

25. In the event of material weaknesses in Sino-Forest's ICFR, Horsley had the responsibility to ensure that these material weaknesses were properly disclosed to the investing public.

26. To fulfil these and other critical roles as CFO of Sino-Forest, Horsley agrees that he needed to have the requisite first-hand knowledge of the business and operating environment of Sino-Forest. Accordingly, Horsley agrees that he needed to know how Sino-Forest came to own its assets and generate revenue. Such knowledge was crucial to enable Horsley to identify any material risks, disclose these risks to the investing public and ultimately eliminate or mitigate these risks to the best of his ability.

27. Horsley agrees that he was also required to have sufficient knowledge of Sino-Forest's key suppliers ("Suppliers") and customers, referred to as Authorized Intermediaries ("AIs") in the BVI Model (as defined below), to ensure the legitimacy of transactions between Sino-Forest and these companies which were located in the PRC. This knowledge was required to ensure that material transactions were arm's length and had true economic substance or, if any material transactions were not arm's length, that these facts were properly disclosed to the investing public.

28. The need for Horsley, as CFO of Sino-Forest, to have first-hand knowledge of Sino-Forest's business was heightened by the fact that the vast majority of its operations were in the PRC and most if not all of its key purchase and sales contracts were written in Chinese. Horsley had no prior experience as an officer, director or employee of a forestry company nor did he have any prior experience conducting business in the PRC. He did not speak or read any Chinese dialects. He did not reside in the PRC or Hong Kong but spent on average two weeks per quarter at Sino-Forest's offices in Hong Kong.

29. Horsley admits that, as CFO of Sino-Forest, he did not have the requisite first-hand knowledge of the business of Sino-Forest or its operating environment. He also placed undue reliance on the representations made to him by members of Overseas Management.

30. Horsley's failure to acquire this knowledge resulted in his breaches of the Act set out herein and was contrary to the public interest. He also failed to be duly diligent in the performance of his duties and responsibilities as CFO of Sino-Forest.

C. Standing Timber – The Primary Business of Sino-Forest

31. In its Annual Information Form for 2010, Sino-Forest stated that its operations were comprised of two core business segments which it titled "Wood Fibre Operations" and "Manufacturing and Other Operations". Wood Fibre Operations had two subcomponents entitled "Plantation Fibre" and "Trading of Wood Logs".

32. According to Sino-Forest's public disclosure (the "Sino-Forest Disclosure"), the Plantation Fibre subcomponent of its business was derived from the acquisition, cultivation and sale of either "standing timber" or "logs" in the PRC. For the purpose

of this Settlement Agreement, the Plantation Fibre subcomponent of Sino-Forest's business will be referred to as "Standing Timber" as, according to the Sino-Forest Disclosure, most, if not all, of the revenue from the sale of Plantation Fibre was derived from the sale of these assets.

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

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

D. The BVI and WFOE Models – Standing Timber Holdings and Revenue

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

35. According to the Sino-Forest Disclosure, in the BVI Model, Sino-Forest's purchases and sales of Standing Timber in the PRC were conducted using wholly owned subsidiaries of Sino-Forest incorporated in the British Virgin Islands (the "BVI Subs"). The BVI Subs entered into written purchase contracts ("Purchase Contracts") with Suppliers and then entered into written sales contracts ("Sales Contracts") with AIs.

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

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

38. According to the Sino-Forest Disclosure, the cash flow associated with the purchase and sale of Standing Timber executed in the BVI Model took place pursuant to a payables/receivables offsetting arrangement (the "Offsetting Arrangement"), whereby the BVI Subs would not directly receive the proceeds on the sale of Standing Timber from the purchasing AI. Rather, Sino-Forest disclosed that it would direct the AI that purchased the Standing Timber to pay the sales proceeds to other Suppliers in order to buy additional Standing Timber. Sino-Forest did not make payment directly to Suppliers for purchases of Standing Timber.

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

40. In the WFOE Model, the cash flow associated with the purchases and sales of Standing Timber could be traced in the bank accounts of Sino-Forest's WFOE companies.

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

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

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

43. The Sino-Forest Disclosure did not adequately describe the relative importance of the BVI Model and the WFOE Model nor did it reveal the material difference in cash flow between the BVI Model and the WFOE Model.

44. Horsley was aware that the assets and revenue in the BVI Model were more significant than the assets and revenue of the WFOE Model and that the inherent financial risk profiles in each model were materially different. Horsley now acknowledges that this important difference in risk profiles was not fully disclosed to the public prior to the release of the Muddy Waters Report contrary to Ontario securities law.

E. Major Suppliers and Als within the BVI Network

45. Almost all of the buying and selling of Standing Timber in the BVI Model was generated through transactions between BVI Subs and a small number of Suppliers and Als in any particular year.

46. For the purpose of this Settlement Agreement, the BVI Subs, Suppliers, Als, and any alleged "nominee" and "peripheral" companies involved in the buying and selling of Standing Timber in the BVI Model are collectively referred to as the "BVI Network".

47. The control and influence that Sino-Forest exerted over certain Suppliers, Als and peripheral companies within the BVI Network brought the bona fides of numerous contracts entered into in the BVI Model into question and thereby placed the pecuniary interests of the Investors at risk.

48. Horsley's position is that he did not have knowledge of improper influence by Sino-Forest over purportedly external companies in the BVI Network.

49. Horsley admits that he had inadequate first-hand knowledge about the operations, legitimacy and substance of the major Suppliers or Als of Sino-Forest during the Material Time other than as conveyed to him by Overseas Management.

50. For example, from 2007 to 2010, Huaihua City Yuda Wood Ltd. ("Yuda Wood") was purportedly Sino-Forest's largest Supplier, accounting for 18% of all purchases in the BVI Model. Sino-Forest claimed to have paid Yuda Wood approximately \$650 million during that time. Prior to the release of the Muddy Waters Report and the creation of the Independent Committee, Horsley knew little about Yuda Wood or how it operated.

51. Similarly, in 2008, Dongkou Shuanglian Wood Company Limited ("Dongkou") was Sino-Forest's most significant AI, purportedly purchasing approximately \$125 million in Standing Timber from Sino-Forest, constituting about 18% of Sino-Forest's Standing Timber revenue for that year. Prior to the release of the Muddy Waters Report and the creation of the Independent Committee, Horsley knew little about Dongkou or how it operated.

52. Horsley admits that his first-hand knowledge about the major Suppliers and Als of Sino-Forest, such as Yuda Wood and Dongkou, fell below what was expected of him as CFO of Sino-Forest.

53. Horsley's lack of first-hand knowledge about the Suppliers and Als was contrary to the public interest.

F. The Creation of Purchase Contracts in the BVI Model

54. As set out in paragraph 37, approximately 80% (by value) of Sino-Forest's timber holdings were held in the BVI Model as of December 31, 2010.

55. As CFO of Sino-Forest, Horsley knew that he was required to ensure the proper design of ICFR, including ICFR over the recording and recognition of Sino-Forest's purchase of Standing Timber. Horsley was aware that ineffective ICFR could put the integrity of Sino-Forest's financial reporting at risk including a risk of fraud.

56. Sino-Forest used the Purchase Contracts to acquire and evidence ownership of Standing Timber in the BVI Model. The Purchase Contracts purported to include a number of attachments including Certificates or other documents purporting to certify evidence of Standing Timber ownership, Farmers' Authorization Letters (the "Farmers' Authorizations") and Timber Survey Reports (the "Survey Reports").

57. Horsley now accepts that during the Material Time, but without his knowledge, employees of Sino-Forest employed an improper and misleading quarterly documentation process in the BVI Model whereby the Purchase Contracts were not drafted and executed until the quarter after the purported purchases were recorded in the Sino-Forest Disclosure.

58. Horsley now accepts that, like the Purchase Contracts and without his knowledge, the Confirmations⁶ were also created by Sino-Forest and improperly dated to the previous quarter. This was misleading. These Confirmations were created contemporaneously with the creation of the corresponding Purchase Contracts.

59. Horsley now accepts that the Purchase Contracts referred to Farmers' Authorizations. However, no Farmers' Authorizations were attached to the Purchase Contracts available to Horsley. The Farmers' Authorizations are significant because they provide evidence that important contractual rights to the Standing Timber were properly transferred from farmers and, ultimately, to Sino-Forest through Suppliers.

60. Additionally, Horsley accepts that the Survey Reports, which purported to identify the general location of the purchased timber, were all or almost all prepared by a single firm during the Material Time.

61. Without Horsley's knowledge, a 10% shareholder of this survey firm was also an employee of Sino-Forest. Drafts of certain Survey Reports purportedly prepared by this "independent" survey company were located on the computer of another employee of Sino-Forest.

62. Like the Purchase Contracts and Confirmations, these drafts of the Survey Reports were improperly dated to the quarter prior to their creation. This too was misleading but was done without Horsley's knowledge.

63. Sino-Forest relied on the validity of the Purchase Contracts and the Confirmations as proof of ownership of the Standing Timber it held in the BVI Model.

64. Horsley now acknowledges that the Purchase Contracts and available attachments, including Confirmations, did not constitute sufficient proof of ownership of the Standing Timber for public disclosure or financial reporting purposes. Neither the Purchase Contracts nor the Survey Reports adequately identified the precise location of the Standing Timber being purchased such that the existence of this Standing Timber could not be properly verified and valued independently.

65. Prior to June of 2011, Horsley never reviewed a translation of a Purchase Contract or Sales Contract or any of their attachments including the Confirmations. Therefore, he was not aware whether any specific rights, such as harvesting rights, were recognized or not in the Confirmations.

66. Horsley was not aware of Sino-Forest's practice of backdating the Purchase Contracts in the BVI Model as set out in paragraph 57 and following above.

67. Horsley now agrees that, as CFO of Sino-Forest, he should have known about all procedures leading to the creation and execution of the Purchase Contracts in the BVI Model as well as the origin and significance of each of the attachments to these contracts.

68. Horsley now agrees that he should have assured himself that effective ICFR was implemented to ensure that assets were properly recognized in the Sino-Forest Disclosure.

⁶ As discussed at paragraph 74 of the Statement of Allegations.

69. Horsley now agrees that, as CFO of Sino-Forest, he did not have the requisite first-hand knowledge of the business and operating environment of Sino-Forest required to ensure that Sino-Forest acquired and maintained the requisite proof of ownership for its Standing Timber assets held in the BVI Model.

70. Horsley's failure to exercise the skill, care and diligence required of him as CFO of Sino-Forest permitted Sino-Forest to make materially misleading disclosure contrary to section 122(1)(b). Accordingly, his conduct was contrary to section 122(3) of the Act.

71. This conduct was also contrary to the public interest.

G. The Creation of Sales Contracts in the BVI Model and Incorrect Revenue Recognition

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

73. Accordingly, the revenue from the Sales Contracts in the BVI Model was recognized in the quarter prior to the creation of the Sales Contracts. Therefore, the Sino-Forest Disclosure regarding the Company's revenue from Standing Timber was materially misleading. During the Material Time, in its correspondence to Staff, Horsley provided incorrect or untrue information to the Commission about Sino-Forest's revenue recognition practice.

74. Horsley was not aware of Sino-Forest's practice of backdating Sales Contracts as described in paragraph 72 above.

75. On May 13, 2008, Staff of the Corporate Finance Branch of the Commission addressed a letter (the "May 13 Letter") to Horsley, as CFO of Sino-Forest, requesting confirmation that "the significant risks and rewards of ownership of standing timber are transferred to the customer at the time the contract is signed." The May 13 Letter was prompted by a Sino-Forest accounting policy note for revenue recognition which indicated that Standing Timber revenue was recognized when the contract was entered into.

76. In his capacity of CFO, Horsley responded to the May 13 Letter through his own letter dated June 13, 2008, (the "June 13 Letter"). In the June 13 Letter, Horsley clearly stated that revenue for "standing timber" was recognized on the date when the relevant "sales agreement" was "signed" or "executed".

77. The June 13 Letter states that "[t]he Corporation recognizes revenue at this date because the following criteria have been met: (a) pervasive evidence of an arrangement exists; (b) delivery has occurred, (c) the Corporation's price is fixed and determinable; and (d) collection is reasonably assured."

78. Horsley now agrees that the June 13 Letter he signed is materially incorrect as it applies to Sino-Forest's revenue recognition. Horsley is now aware that most, if not all, of the Sales Contracts in the BVI Model executed during the Material Time were backdated as set out above and therefore revenue was not recognized in the manner described in the June 13 Letter.

79. Horsley now agrees that, as CFO of Sino-Forest, he should have known about all procedures leading to the creation and execution of the Sales Contracts in the BVI Model as well as the significance of each of the attachments to these contracts. He should have assured himself that effective ICFR was implemented to ensure that revenue was properly recognized in the Sino-Forest Disclosure in accordance with Ontario securities law.

80. The June 13 Letter signed by Horsley and provided to Corporate Finance Staff contained incorrect or untrue information contrary to section 122(1)(a) of the Act.

81. This conduct was also contrary to the public interest.

H. Undisclosed ICFR Material Weaknesses/Failures in the BVI Model

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

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

taking additional steps in 2011 to address this deficiency, management will continue to monitor and work on mitigating this weakness. **[emphasis added]**

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

84. In addition, Sino-Forest failed to disclose the extent of the concentration of authority or lack of segregation of duties in Overseas Management. Specifically, Horsley acknowledges that Sino-Forest did not fully disclose the concentration of control that members of Overseas Management had (i) over the operation of the BVI Model including the creation and execution of the Purchase Contracts and Sales Contracts and (ii) over the documentation of the cash flow in the BVI Model from the purchase and sale of Standing Timber. As set out above, the importance of the BVI Model was not adequately described in the Sino-Forest Disclosure. Accordingly, the fact that these material weaknesses were linked to the BVI Model was not disclosed. Horsley permitted the issuance of Sino-Forest's inadequate and materially misleading disclosure in this regard, which was contrary to Ontario securities law.

85. It is Staff's allegation that the concentration of control in the hands of Overseas Management facilitated the fraudulent course of conduct perpetrated in the BVI Model as alleged by Staff in the Statement of Allegations. However, Staff has no reason to believe that Horsley was aware of, involved in, or a participant in any of the fraud that has been alleged against Sino-Forest or Overseas Management.

86. Horsley now agrees that, as CFO of Sino-Forest, he ought to have applied additional diligence before accepting the representations of Chan and the other members of Overseas Management, particularly their representations regarding the mitigation of the identified material weaknesses. Horsley acknowledges that his failure to do so contributed to the risk of fraud.

87. As set out above in paragraph 84, these key omissions made the Sino-Forest Disclosure materially misleading contrary to section 122(1)(b) of the Act. Accordingly, Horsley's conduct was contrary to section 122(3) of the Act.

88. Accordingly, during the Material Time, Horsley failed to exercise the skill, care and diligence required of him as CFO of Sino-Forest when he certified the annual and interim filings of Sino-Forest. For the reasons set out above, Horsley admits that these filings were materially misleading. This conduct was contrary to NI 52-109.

89. This conduct was also contrary to the public interest.

I. Deficiencies in Horsley's Knowledge Regarding Harvesting of Standing Timber

90. As CFO of Sino-Forest, Horsley should have had first-hand knowledge of how Sino-Forest would acquire, hold and ultimately sell its Standing Timber in the BVI Model and how Sino-Forest or any AI would harvest this Standing Timber. He did not.

91. Due to his lack of knowledge in this regard, Horsley could not have known whether the financial disclosure of Sino-Forest was accurate when it referred to the purported harvesting of Standing Timber and "logs". Horsley realizes now that little or no harvesting actually took place by Sino-Forest or its customers.

92. Further, the Sino-Forest Disclosure states that parties (such as AIs) who purchased Standing Timber had contractually agreed that they had eighteen months to harvest this Standing Timber. Horsley knew or should have known that Sino-Forest was not tracking whether AIs were actually harvesting the Standing Timber sold to them in the BVI Model and, if so, when these AIs were doing so.

93. As set out in the Sino-Forest Disclosure and as discussed in the Sino-Forest quarterly earnings calls, this was an important contractual term of Sino-Forest because Sino-Forest could not exercise its right of first refusal to lease and replant the underlying land until the trees were harvested by customers such as the AIs. Sino-Forest's stated plan to replant and thus create more Standing Timber assets on this underlying land was repeatedly presented to the investing public.

94. Horsley's failure to make any inquiries in this regard contributed to the materially misleading disclosure being made by Sino-Forest that its standing timber and "logs" were being harvested.

95. During the Material Time, Horsley's failure to exercise the skill, care and diligence required of him as CFO of Sino-Forest permitted Sino-Forest to make materially misleading disclosure contrary to section 122(3) of the Act.

96. Accordingly, during the Material Time, Horsley failed to exercise the skill, care and diligence required of him as CFO of Sino-Forest when he certified the annual and interim filings of Sino-Forest. For the reasons set out above, Horsley admits that these filings were materially misleading. This conduct was contrary to NI 52-109.

97. This conduct was also contrary to the public interest.

PART IV – CONTRAVENTIONS OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

98. By engaging in the conduct described above, Horsley admits and acknowledges that he contravened Ontario securities law during the Material Time in the following ways:

- (i) as result of his inadequate knowledge, lack of due diligence and undue reliance on the representations of Overseas Management, Horsley permitted Sino-Forest to make materially misleading disclosure contrary to subsection 122(1)(b) of the Act and, accordingly, as CFO of Sino-Forest, his conduct was contrary to subsection 122(3) of the Act;
- (ii) as CFO of Sino-Forest, Horsley provided incorrect or untrue information in the June 13 Letter to Corporate Finance Staff, and, accordingly, Horsley's actions were contrary to subsection 122(1)(a) of the Act; and
- (iii) as CFO of Sino-Forest, Horsley's certification of the annual and interim filings of Sino-Forest was contrary to the requirements of NI 52-109.

99. Horsley admits and acknowledges that he acted contrary to the public interest by contravening Ontario securities law as set out in paragraph 98.

PART V – RESPONDENT'S POSITION

100. Horsley requests that the settlement hearing panel consider the following mitigating circumstances.

101. Horsley cooperated with Staff's investigation.

102. In early 2011, Horsley recognized the need for Sino-Forest to have a CFO based in Hong Kong and that it would be beneficial to Sino-Forest and the investing public for the CFO to be better positioned to be more involved in Sino-Forest's operations and fluent in Chinese. As a result, in April 2011, before the Muddy Waters Report, Horsley tendered his resignation. The Board requested that Horsley withdraw his resignation, which he did.

103. Horsley was not aware of, involved in, or a participant in any of the fraud that has been alleged against Sino-Forest or Overseas Management. Further, as noted in paragraphs 48, 61, 62, 66 and 74, Horsley was not aware of any improper relationships between Sino-Forest or its employees and purportedly external companies nor was he aware of the wholesale practice of backdating documents in the BVI Model.

104. This Settlement Agreement will curtail Horsley's professional employment opportunities in the future.

105. Concurrent with this Settlement Agreement, Horsley has sought Court approval of a settlement of the class action proceedings that have been commenced against him (and others) in connection with Sino-Forest (the "Class Action") and litigation commenced against him by the Sino-Forest Litigation Trust, which will result in a total of \$5.6 million (CAD) being paid on behalf of Horsley to former security holders of Sino-Forest.

PART VI – TERMS OF SETTLEMENT

106. Horsley agrees to the terms of settlement listed below.

107. Horsley undertakes to cooperate with the Commission and Staff in this matter and to appear and testify at the hearing in this matter if requested by Staff.

108. The Commission will make an order, pursuant to sections 127(1) and section 127.1 of the Act, that:

- (a) the Settlement Agreement is approved;
- (b) pursuant to clause 6 of subsection 127(1) of the Act, Horsley is reprimanded;
- (c) pursuant to clause 7 of subsection 127(1) of the Act, Horsley resign all positions he holds as a director or officer of an issuer;

- (d) pursuant to clause 8 of subsection 127(1) of the Act, Horsley is permanently prohibited from becoming or acting as a director or officer of any reporting issuer;
- (e) pursuant to clause 8.1 of subsection 127(1) of the Act, Horsley resign all positions he holds as a director or officer of a registrant;
- (f) pursuant to clause 8.2 of subsection 127(1) of the Act, Horsley is permanently prohibited from becoming or acting as a director or officer of a registrant;
- (g) pursuant to clause 8.4 of subsection 127(1) of the Act, Horsley is permanently prohibited from becoming or acting as a director or officer of an investment fund manager;
- (h) pursuant to clause 8.5 of subsection 127(1) of the Act, Horsley is permanently prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter; and
- (i) pursuant to section 127.1 of the Act, Horsley shall pay costs to the Commission in the amount of (CAD)\$700,000, inclusive of interest and HST.

109. Horsley 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 subparagraphs 108 (b) to (h) above.

PART VII – STAFF COMMITMENT

110. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Horsley in relation to the facts set out in Part III herein, subject to the provisions of paragraph 111 below.

111. If this Settlement Agreement is approved by the Commission, and at any subsequent time Horsley fails to honour the terms of the Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against Horsley based on, but not limited to, the facts set out in Part III herein as well as the breach of the Settlement Agreement.

PART VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT

112. This Settlement Agreement is conditional on Court approval of the settlement of the Class Action including an order that the settlement is a Named Third Party Defendant Settlement for the purpose of section 11.2 of Sino-Forest's Plan of Compromise and Reorganization and that Horsley is released from all claims in accordance with section 11.2(c) of the Plan. In the event that the Court does not approve the settlement of the Class Action against Horsley, this Settlement Agreement shall be null and void, Staff will not rely on the terms of this Settlement Agreement for any purpose and Horsley will not be bound by any of the admissions herein.

113. 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 Horsley for the scheduling of the hearing to consider the Settlement Agreement.

114. Staff and Horsley agree that this Settlement Agreement will constitute the entirety of the agreed facts to be submitted at the settlement hearing regarding Horsley's conduct in this matter, unless the parties agree that further facts should be submitted at the settlement hearing.

115. If this Settlement Agreement is approved by the Commission, Horsley agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

116. 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.

117. Whether or not this Settlement Agreement is approved by the Commission, Horsley agrees that he 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 IX – DISCLOSURE OF SETTLEMENT AGREEMENT

118. 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 Horsley leading up to its presentation at the settlement hearing, shall be without prejudice to Staff and Horsley; and
- (b) Staff and Horsley 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 Statement of Allegations of Staff, unaffected by the Settlement Agreement or the settlement discussions/negotiations.

119. 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 Horsley and Staff or as may be required by law.

PART X – EXECUTION OF SETTLEMENT AGREEMENT

120. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.

121. A facsimile copy of any signature will be as effective as an original signature.

Signed in the presence of:

"Simon Bieber"
Witness

"David Horsley"
David Horsley

Dated this 26th day of June, 2014

STAFF OF THE ONTARIO SECURITIES COMMISSION

"Tom Atkinson"
Tom Atkinson
Director, Enforcement Branch

Dated this 26th day of June, 2014

SCHEDULE "A"

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

AND

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

AND

**IN THE MATTER OF
A SETTLEMENT AGREEMENT BETWEEN
STAFF AND DAVID HORSLEY**

**ORDER
(Sections 127 and 127.1)**

WHEREAS on May 22, 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 respect of David Horsley ("Horsley");

AND WHEREAS Horsley entered into a Settlement Agreement with Staff of the Commission dated _____, 2012 (the "Settlement Agreement") in which Horsley agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and upon hearing submissions from counsel for Horsley and from Staff of the Commission;

AND WHEREAS Horsley has undertaken to cooperate with the Commission and Staff in this matter and to appear and testify at the hearing in this matter if requested by Staff;

AND WHEREAS Horsley has also undertaken 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 (b) to (h) below;

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 6 of subsection 127(1) of the Act, Horsley is reprimanded;
- (c) pursuant to clause 7 of subsection 127(1) of the Act, Horsley resign all positions he holds as a director or officer of an issuer;
- (d) pursuant to clause 8 of subsection 127(1) of the Act, Horsley is permanently prohibited from becoming or acting as a director or officer of any reporting issuer;
- (e) pursuant to clause 8.1 of subsection 127(1) of the Act, Horsley resign all positions he holds as a director or officer of a registrant;
- (f) pursuant to clause 8.2 of subsection 127(1) of the Act, Horsley is permanently prohibited from becoming or acting as a director or officer of a registrant;
- (g) pursuant to clause 8.4 of subsection 127(1) of the Act, Horsley is permanently prohibited from becoming or acting as a director or officer of an investment fund manager;
- (h) pursuant to clause 8.5 of subsection 127(1) of the Act, Horsley is permanently prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter; and

- (i) pursuant to section 127.1 of the Act, Horsley shall pay costs to the Commission in the amount of (CAD)\$700,000, inclusive of interest and HST.

DATED AT TORONTO this _____ day of _____, 2014.

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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
CBM Asia Development Corp.	9 July 14	21 July 14	21 July 14	
Pacific Vector Holdings Inc.	10 July 14	22 July 14	22 July 14	
Sonomax Technologies Inc.	10 July 14	22 July 14	22 July 14	

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

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
Red Tiger Mining Inc.	2 May 14	14 May 14	14 May 14		

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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

REPORT OF TRADES ON FORM 45-106F1 AND 45-501F1

There are no Reports of Exempt Distribution on Forms 45-106F1 or 45-501F1 (Reports) in this Bulletin.

Reports filed on or after February 19, 2014 must be filed electronically.

As a result of the transition to mandated electronic filings, the OSC is considering the most effective manner to make data about filed Reports available to the public, including whether and how this information should be reflected in the Bulletin. In the meantime, Reports filed with the Commission continue to be available for public inspection during normal business hours.

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:

CANADIAN ZINC CORPORATION
Principal Regulator - British Columbia

Type and Date:

Preliminary Short Form Prospectus dated July 15, 2014
NP 11-202 Receipt dated July 15, 2014

Offering Price and Description:

\$15,001,000.00 - 28,572,000 Units and 13,160,000 Flow-Through Shares

Price: \$0.35 per Unit and \$0.38 per Flow-Through Share

Underwriter(s) or Distributor(s):

Dundee Securities Ltd.
Canaccord Genuity Corp.
Paradigm Capital Inc.

Promoter(s):

-

Project #2233439

Issuer Name:

CU Inc.
Principal Regulator - Alberta

Type and Date:

Preliminary Base Shelf Prospectus dated July 17, 2014
NP 11-202 Receipt dated July 17, 2014

Offering Price and Description:

\$2,600,000,000.00 - Debentures (Unsecured)

Underwriter(s) or Distributor(s):

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

Promoter(s):

-

Project #2234199

Issuer Name:

Klondex Mines Ltd.
Principal Regulator - British Columbia

Type and Date:

Preliminary Short Form Prospectus dated July 16, 2014
NP 11-202 Receipt dated July 16, 2014

Offering Price and Description:

\$14,000,000.00 - 7,000,000 Common Shares
Price: \$2.00 per Offered Share

Underwriter(s) or Distributor(s):

GMP SECURITIES L.P.
RBC DOMINION SECURITIES INC.
M PARTNERS INC.
INDUSTRIAL ALLIANCE SECURITIES INC.
DUNDEE SECURITIES LTD.
MACKIE RESEARCH CAPITAL CORPORATION

Promoter(s):

-

Project #2233890

Issuer Name:

Northern Blizzard Resources Inc.
Principal Regulator - Alberta

Type and Date:

Amended and Restated Preliminary Long Form Prospectus dated July 14, 2014
NP 11-202 Receipt dated July 15, 2014

Offering Price and Description:

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

Underwriter(s) or Distributor(s):

CIBC WORLD MARKETS INC.
RBC DOMINION SECURITIES INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
PETERS & CO. LIMITED
GMP SECURITIES L.P.
GOLDMAN SACHS CANADA INC.
J.P. MORGAN SECURITIES CANADA INC.
NATIONAL BANK FINANCIAL INC.
EDGECREST CAPITAL CORP.

Promoter(s):

-

Project #2229469

Issuer Name:

Pure Multi-Family REIT LP
Principal Regulator - British Columbia

Type and Date:

Preliminary Short Form Prospectus dated July 15, 2014
NP 11-202 Receipt dated July 16, 2014

Offering Price and Description:

US\$30,162,500 - 6,350,000 Units
Price: US\$4.75 Per Unit and CDN\$5.06 Per Unit

Underwriter(s) or Distributor(s):

CANACCORD GENUITY CORP.
NATIONAL BANK FINANCIAL INC.
CIBC WORLD MARKETS INC.
DUNDEE SECURITIES LTD.
SCOTIA CAPITAL INC.
GMP SECURITIES L.P.
RAYMOND JAMES LTD.
RBC DOMINION SECURITIES INC.
BURGEONVEST BICK SECURITIES LIMITED
DESJARDINS SECURITIES INC.

Promoter(s):

Sunstone Multi-Family Investments Inc.

Project #2232149

Issuer Name:

Artis Real Estate Investment Trust
Principal Regulator - Manitoba

Type and Date:

Final Base Shelf Prospectus dated July 17, 2014
NP 11-202 Receipt dated July 17, 2014

Offering Price and Description:

\$2,000,000,000.00

Units

Preferred Units

Debt Securities

Warrants

Subscription Receipts

Underwriter(s) or Distributor(s):

-

Promoter(s):

-

Project #2227601

Issuer Name:

Dividend Growth Split Corp.
Principal Regulator - Ontario

Type and Date:

Final Short Form Prospectus dated July 16, 2014
NP 11-202 Receipt dated July 16, 2014

Offering Price and Description:

\$100,000,000 (Maximum)
Up to 5,005,005 Preferred Shares and 5,005,005 Class A Shares
Prices: \$10.08 per Preferred Share/ \$9.90 per Class A Share

Underwriter(s) or Distributor(s):

RBC Dominion Securities Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
GMP Securities L.P.
Raymond James Ltd.
Canaccord Genuity Corp.
Desjardins Securities Inc.
Dundee Securities Ltd.
Mackie Research Capital Corporation
Manulife Securities Incorporated

Promoter(s):

-

Project #2231957

Issuer Name:

EXEMPLAR TACTICAL CORPORATE BOND FUND
(Series A, AI, F, FI, I, L and LI)
EXEMPLAR INVESTMENT GRADE FUND (Series A, AI, F, FI and I)
Principal Regulator - Ontario

Type and Date:

Amendment #1 dated July 10, 2014 to the Annual Information Form dated June 27, 2014
NP 11-202 Receipt dated July 17, 2014

Offering Price and Description:

Series A, AI, F, FI, I, L and LI)

Underwriter(s) or Distributor(s):

-

Promoter(s):

Arrow Capital Management Inc.

Project #2211266

Issuer Name:

First Asset Active Canadian Dividend ETF
First Asset Active Canadian REIT ETF
Principal Regulator - Ontario

Type and Date:

Final Long Form Prospectus dated July 18, 2014
NP 11-202 Receipt dated July 21, 2014

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 #2173562

Issuer Name:

First Asset Hamilton Capital European Bank ETF
Principal Regulator - Ontario

Type and Date:

Final Long Form Prospectus dated July 18, 2014
NP 11-202 Receipt dated July 21, 2014

Offering Price and Description:

Common units and Advisor Class units

Underwriter(s) or Distributor(s):

-

Promoter(s):

FIRST ASSET INVESTMENT MANAGEMENT INC.

Project #2223849

Issuer Name:

First Trust Multi-Asset Global Income Index ETF
Principal Regulator - Ontario

Type and Date:

Final Long Form Prospectus dated July 15, 2014
NP 11-202 Receipt dated July 16, 2014

Offering Price and Description:

Exchange traded fund at net asset value
(Common units and Advisor Class units)

Underwriter(s) or Distributor(s):

-

Promoter(s):

FT PORTFOLIOS CANADA CO.

Project #2215815

Issuer Name:

Harmony Canadian Equity Pool
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony Canadian Fixed Income Pool
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony Diversified Income Pool
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony Global Fixed Income Pool
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony Money Market Pool
(Embedded Series, Series F and Wrap Series Securities)
Harmony Non-traditional Pool
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony Overseas Equity Pool
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony U.S. Equity Pool
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony Balanced Growth Portfolio
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony Balanced Growth Portfolio Class*
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony Balanced Portfolio
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony Conservative Portfolio
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony Growth Plus Portfolio
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony Growth Plus Portfolio Class*
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony Growth Portfolio
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony Growth Portfolio Class*
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony Maximum Growth Portfolio
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony Maximum Growth Portfolio Class*
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Harmony Yield Portfolio
(Embedded Series, Series F, Series T, Series V and Wrap Series Securities)
Principal Regulator - Ontario

Type and Date:

Final Simplified Prospectus dated July 11, 2014
NP 11-202 Receipt dated July 15, 2014

Offering Price and Description:

Embedded Series Securities, Series F Securities, Series T Securities, Series V Securities and Wrap Series Securities @ Net Asset Value

Underwriter(s) or Distributor(s):

-

Promoter(s):

-

Project #2221839

Issuer Name:

NEI Money Market Fund (Series A and I units)
 NEI Canadian Bond Fund (Series A, F and I units)
 NEI Income Fund (Series A, F and I units)
 NEI Global Total Return Bond Fund (Series A, F, I, T, P and PF units)
 NEI Ethical Balanced Fund (Series A, F and I units)
 NEI Ethical Canadian Equity Fund (Series A, F and I units)
 NEI Ethical Special Equity Fund (Series A, F and I units)
 NEI Ethical American Multi-Strategy Fund (Series A, F and I units)
 NEI Ethical Global Dividend Fund (Series A, F, I, P and PF units)
 NEI Ethical Global Equity Fund (Series A, F and I units)
 NEI Ethical International Equity Fund (Series A, F and I units)
 NEI Northwest Specialty High Yield Bond Fund (Series A, F, I and T units)
 NEI Northwest Specialty Global High Yield Bond Fund (Series A, F, I and T units)
 NEI Northwest Tactical Yield Fund (Series A, F, I, T, P and PF units)
 NEI Northwest Growth and Income Fund (Series A, F, I and T units)
 NEI Northwest Macro Canadian Asset Allocation Fund (Series A, F, I, T, P and PF units)
 NEI Northwest Macro Canadian Equity Fund (Series A, F and I units)
 NEI Northwest Canadian Dividend Fund (Series A, F, I and T units)
 NEI Northwest Canadian Equity Fund (Series A, F and I units)
 NEI Northwest Global Equity Fund (Series A, F and I units)
 NEI Northwest U.S. Dividend Fund (Series A, F, I, P and PF units)
 NEI Northwest Emerging Markets Fund (Series A, F and I units)
 NEI Northwest Specialty Equity Fund (Series A, F and I units)
 NEI Ethical Select Income Portfolio (Series A, B and F units)
 NEI Ethical Select Conservative Portfolio (Series A and F units)
 NEI Ethical Select Balanced Portfolio (Series A and F units)
 NEI Ethical Select Growth Portfolio (Series A and F units)
 NEI Select Conservative Portfolio (Series A, B and F units)
 NEI Select Canadian Balanced Portfolio (Series A, B and F units)
 NEI Select Canadian Growth Portfolio (Series A, B and F units)
 NEI Select Global Balanced Portfolio (Series A and F units)
 NEI Select Global Growth Portfolio (Series A and F units)

NEI Select Global Maximum Growth Portfolio (Series A, B and F units)
 NEI Northwest Short Term Corporate Class (Series A shares)
 NEI Northwest Tactical Yield Corporate Class (Series A, F and T shares)
 NEI Northwest Growth and Income Corporate Class (Series A, F and T shares)
 NEI Northwest Macro Canadian Asset Allocation Corporate Class (Series A, F and T shares)
 NEI Northwest Macro Canadian Equity Corporate Class (Series A and F shares)
 NEI Northwest Enhanced Yield Equity Corporate Class (Series A, F and I shares)
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 NEI Northwest Canadian Equity Corporate Class (Series A and F shares)
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 NEI Northwest Emerging Markets Corporate Class (Series A and F shares)
 NEI Northwest Global Equity Corporate Class (Series A and F shares)
 NEI Northwest Specialty Equity Corporate Class (Series A and F shares)
 NEI Select Conservative Corporate Class Portfolio (Series A, F and T shares)
 NEI Select Balanced Corporate Class Portfolio (Series A, F and T shares)
 NEI Select Growth Corporate Class Portfolio (Series A and F shares)
 NEI Select Global Maximum Growth Corporate Class Portfolio (Series A and F shares)
 Principal Regulator - Ontario

Type and Date:

Final Simplified Prospectuses dated June 26, 2014
 NP 11-202 Receipt dated July 18, 2014

Offering Price and Description:

-

Underwriter(s) or Distributor(s):

Credential Asset Management Inc.

Promoter(s):

Northwest & Ethical Investments L.P.

Project #2207619

Issuer Name:

Next Edge AHL Fund (formerly, Man Canada AHL DP Investment Fund)
Principal Regulator - Ontario

Type and Date:

Amended and Restated Long Form Prospectus dated June 27, 2014 (the amended prospectus) amending and restating the Long Form Prospectus dated December 3, 2013.
NP 11-202 Receipt dated July 16, 2014

Offering Price and Description:

Class A Units, Class F Units, Class H Units, Class J Units, Class K Units, Class L Units and Class M Units

Underwriter(s) or Distributor(s):

-

Promoter(s):

MAN INVESTMENTS CANADA CORP.

Project #2112774

Issuer Name:

Pretium Resources Inc.
Principal Regulator - British Columbia

Type and Date:

Final Base Shelf Prospectus dated July 16, 2014
NP 11-202 Receipt dated July 18, 2014

Offering Price and Description:

U.S.\$600,000,000.00

Common Shares
Preferred Shares
Debt Securities
Subscription Receipts Units
Warrants

Underwriter(s) or Distributor(s):

-

Promoter(s):

-

Project #2231658

Issuer Name:

Rubicon Minerals Corporation
Principal Regulator - Ontario

Type and Date:

Final Short Form Prospectus dated July 16, 2014
NP 11-202 Receipt dated July 16, 2014

Offering Price and Description:

\$12,002,000.00

7,060,000 Flow-Through Shares
\$1.70 per Flow-Through Share

Underwriter(s) or Distributor(s):

TD SECURITIES INC.
BMO NESBITT BURNS INC.
NATIONAL BANK FINANCIAL INC.
CANACCORD GENUITY CORP.

Promoter(s):

-

Project #2230906

Issuer Name:

Terrace Energy Corp.
Principal Regulator - British Columbia

Type and Date:

Final Short Form Prospectus dated July 17, 2014
NP 11-202 Receipt dated July 17, 2014

Offering Price and Description:

\$20,017,000.00 - 10,820,000 Common Shares at a Price of \$1.85 per Share

Underwriter(s) or Distributor(s):

CANACCORD GENUITY CORP.
CORMARK SECURITIES INC.
GMP SECURITIES L.P.
SALMAN PARTNERS INC.

Promoter(s):

-

Project #2232008

Issuer Name:

Uranerz Energy Corporation
Principal Regulator - Ontario

Type and Date:

Final MJDS Prospectus dated July 14, 2014
NP 11-202 Receipt dated July 15, 2014

Offering Price and Description:

\$100,000,000.00

Common Shares
Warrants
Subscription Receipts
Units

Underwriter(s) or Distributor(s):

-

Promoter(s):

-

Project #2223304

Issuer Name:

Way Ventures Inc.

Type and Date:

Final Long Form Non-Offering Prospectus dated July 16, 2014

Receipted on July 17, 2014

Offering Price and Description:

-

Underwriter(s) or Distributor(s):

-

Promoter(s):

-

Project #2147916

Issuer Name:

Whiteknight Acquisitions III Inc.

Principal Regulator - Ontario

Type and Date:

Final CPC Prospectus dated July 11, 2014

NP 11-202 Receipt dated July 15, 2014

Offering Price and Description:

Minimum of \$500,000

2,500,000 Common Shares

Maximum of \$1,000,000

5,000,000 Common Shares

Price: \$0.20 per Common Share

Underwriter(s) or Distributor(s):

BBS Securities Inc.

Promoter(s):

-

Project #2220578

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Lewin Capital Management Ltd.	Portfolio Manager	July 8, 2014
New Registration	Santa Fe Partners LLC	Restricted Portfolio Manager	July 15, 2014
Suspended Surrender) (Pending	Loewen & Partners Inc.	Exempt Market Dealer	July 21, 2014

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