



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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

- AND -

**IN THE MATTER OF
CHILDREN'S EDUCATION FUNDS INC.**

ORDER

WHEREAS on September 14, 2012, the Ontario Securities Commission (the "Commission") ordered pursuant to subsections 127(1) and (5) of the *Securities Act*, R.S.O. 1990, c. S.5 as amended (the "Act") and with the consent of Children's Education Funds Inc. ("CEFI") that the terms and conditions (the "Terms and Conditions") set out in Schedule "A" to the Commission order dated September 14, 2012 be imposed on CEFI (the "Temporary Order");

AND WHEREAS on September 14, 2012, the Commission ordered that the Temporary Order shall take effect immediately and shall expire on the fifteenth day after its making unless extended by order of the Commission and ordered that the matter be brought back before the Commission on September 26, 2012 at 10:00 a.m.;

AND WHEREAS on September 20, 2012, the Commission issued a Notice of Hearing pursuant to section 127 in respect of a hearing to be held on September 26, 2012 at 10:00 a.m. to consider whether, in the opinion of the Commission, it was in the public interest, pursuant to subsections 127(7) and (8) of the Act to extend the Temporary Order;

AND WHEREAS on September 26, 2012, Staff of the Commission ("Staff") filed with the Commission the Affidavit of Maria Carelli sworn September 18, 2012 in support of the extension of the Temporary Order;

AND WHEREAS on September 26, 2012, the Commission extended the Temporary Order against CEFI until December 7, 2012 and ordered that the matter be brought back before the Commission on December 6, 2012 at 10:00 a.m.;

AND WHEREAS the Terms and Conditions of the Temporary Order required CEFI to retain a consultant (the “Consultant”) to prepare and assist CEFI in implementing plans to strengthen their compliance systems and to retain a monitor (the “Monitor”) to review all applications of new clients and contact new clients as set out in the Terms and Conditions;

AND WHEREAS CEFI retained Compliance Support Services Inc. (“Compliance Support”) as both its Monitor and its Consultant;

AND WHEREAS Compliance Support filed its Consultant’s plan on October 2, 2012 and filed an addendum to the Consultant’s plan with the OSC Manager on November 12, 2012;

AND WHEREAS on December 6, 2012, Staff filed an Affidavit of Lina Creta sworn December 3, 2012 setting out the monitoring and consulting work completed to date by Compliance Support;

AND WHEREAS on December 6, 2012, the Commission approved a revised monitoring regime which consisted of a review of a random sample of 50% of applications from new clients of CEFI with an income less than \$50,000 and a random sample of 10% of applications from new clients with an income greater than \$50,000 for the purpose of ensuring adequate KYC Information in order to determine suitability of the investment and should the Monitor not be satisfied with the KYC Information for this purpose, to contact the new client;

AND WHEREAS on December 6, 2012, the Temporary Order was extended to March 1, 2013 and adjourned the hearing to February 28, 2013 at 10:00 a.m. for the purpose of providing the Commission with an update on the work completed by the Monitor and the Consultant and to consider whether any changes were required to the Terms and Conditions;

AND WHEREAS on February 28, 2013, Staff and counsel for CEFI appeared and made submissions;

AND WHEREAS Staff has filed an Affidavit of Lina Creta sworn February 27, 2013 attaching the Progress reports and Monitor reports filed with Staff since December 1, 2012 and advising that Staff’s investigation of CEFI is ongoing;

AND WHEREAS Staff requests that the Temporary Order be varied as provided by the Terms of this order and counsel for CEFI has advised that CEFI consents to the terms of the variation;

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

IT IS HEREBY ORDERED that:

1. Paragraph 5 of the Terms and Conditions as amended by Commission Order dated December 6, 2012 is deleted and replaced as follows:

“5.1 As of March 1, 2013, the Monitor will:

- (a) review a random sample of 30% of applications from New Clients of CEFI with an income less than or equal to \$50,000;
- (b) review a random sample of 10% of applications from New Clients of CEFI with an income greater than \$50,000;
- (c) review 30% of all New Client applications processed by Dealing Representatives that have become registered with CEFI within the last six months; and
- (d) review 100% of all New Client applications by Dealing Representatives: (i) with terms and conditions on their registration; and (ii) whom CEFI, the Monitor and/or the Consultant have identified as being of concern.

5.2 If the Monitor has any concerns with the suitability of the investment based on the New Client applications reviewed under paragraph 5.1 then the Monitor will contact the New Client.”;

2. The monitoring set out in paragraph 1 of this Order can be varied on the recommendation of Compliance Support and with the agreement of the OSC Manager as defined in the Terms and Conditions and the parties may seek direction from the Commission in the event that the parties are unable to agree on any future revisions to the monitoring regime;
3. The Temporary Order is extended to May 13, 2013;

4. The hearing is adjourned to May 10, 2013 at 10:00 a.m. for the purpose of providing the Commission with an update on the work completed by the Monitor and the Consultant.

DATED at Toronto this 28th day of February, 2013.

“James E. A. Turner”

James E.A. Turner