



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 AN APPLICATION BY THE TRUSTEES OF CENTRAL
GOLDTRUST AND SILVER BULLION TRUST**

- AND -

**IN THE MATTER OF SPROTT ASSET MANAGEMENT GOLD BID LP, SPROTT
ASSET MANAGEMENT SILVER BID LP, SPROTT PHYSICAL GOLD TRUST and
SPROTT PHYSICAL SILVER TRUST**

**ORDER
(Subsections 127(1)5 and 127(2))**

WHEREAS:

1. The trustees of Central GoldTrust (“**CGT**”) and Silver Bullion Trust (“**SBT**”) (together, the “**Applicants**”) filed an application dated November 10, 2015 (the “**Application**”) in connection with:
 - (a) The unsolicited take-over bid by Sprott Asset Management Gold Bid LP, Sprott Asset Management LP and Sprott Physical Gold Trust (“**SPG**”) (collectively “**Sprott Gold**”) to acquire all of the outstanding units of CGT in exchange for units of SPG (the “**Sprott Gold Bid**”); and
 - (b) The unsolicited take-over bid by Sprott Asset Management Silver Bid LP, Sprott Asset Management LP and Sprott Physical Silver Trust (“**SPS**”) (collectively, “**Sprott Silver**”, and together with Sprott Gold, “**Sprott** or the “**Respondents**”) to acquire all of the units of SBT in exchange for units of SPS (the “**Sprott Silver Bid**”, or together with the Sprott Gold Bid, the “**Sprott Bids**”);
2. The Applicants seek the following relief:
 - (a) An order permitting the Application to be heard;
 - (b) A permanent order pursuant to section 127(1)2 of the *Securities Act*, R.S.O., c. S.5, as amended (the “**Act**”) that:

- (i) Trading by Sprott cease in securities of CGT and SBT tendered to the Sprott Bids; and
 - (ii) Trading cease in the units of SPG and SPS issued as consideration pursuant to the Sprott Bids;
 - (c) An order pursuant to section 127(1)5 of the Act that Sprott immediately disseminate to the public a news release advising CGT and SBT unitholders that:
 - (i) As a result of the Commission's orders, Sprott cannot acquire CGT and SBT units or issue the consideration pursuant to the Sprott Bids in payment for tendered CGT and SBT units;
 - (ii) Withdrawal rights are exercisable and continue to be exercisable; and
 - (iii) Summarizes how CGT and SBT unitholders can exercise their rights of withdrawal;
 - (d) An order pursuant to section 127(1)5 of the Act that Sprott, within 10 days, deliver to every CGT and SBT unitholder a notice containing the information regarding withdrawal rights described in paragraph 2(c);
 - (e) An order pursuant to section 104(1)(c) of the Act that Sprott honour any valid notice of withdrawal made by or on behalf of CGT and SBT unitholders;
 - (f) An order pursuant to section 104(1)(e) of the Act that the directors, trustees and senior officers of Sprott cause Sprott to honour any valid notice of withdrawal made by or on behalf of CGT and SBT unitholders;
 - (g) An order pursuant to section 127(1)2 of the Act that Sprott cease trading in CGT and SBT units unless and until Sprott satisfies the Commission that the provisions above have been complied with and that all of the CGT and SBT units tendered to the Sprott Bids have been returned to CGT and SBT unitholders;
 - (h) A permanent order pursuant to section 127(1) of the Act that trading by Sprott cease in securities of CGT and SBT in the event Sprott uses or purports to use any power of attorney or proxy granted pursuant to a letter of transmittal delivered in connection with the Sprott Bids ("**Letters of Transmittal**") before the units represented by such Letters of Transmittal are withdrawn by or on behalf of the CGT or SBT unitholder; and
 - (i) Such alternative or further and other relief as counsel may request and that the Commission may order;
3. On November 16, 2015, a Notice of Hearing was issued with respect to the Application setting down a hearing for November 18, 2015;
4. The history of the matter is as follows:
- (a) On April 23, 2015, Sprott issued a press release announcing its intention to make the Sprott Bids to acquire all of the outstanding units of CGT and SBT;
 - (b) On May 27, 2015 the Sprott Bids were formally commenced pursuant to an offer to purchase and take-over bid circular of Sprott Gold and to an offer to purchase and take-over bid circular of Sprott Silver;

- (c) The Sprott Bids are structured so that tendering unitholders are required to make one of two elections: (i) the Exchange Offer Election; or (ii) the Merger Election. Unitholders that make the Exchange Offer Election will have their units taken up under the Sprott Bids and exchanged for units of SPG or SPS, as applicable. Unitholders that make the Merger Election will receive units of SPG or SPS, as applicable, upon the compulsory redemption of their units as part of the proposed merger transactions between SPG and CGT and between SPS and SBT (collectively, the "**Merger Transactions**");
- (d) The Merger Transactions contemplated the following steps:
- (i) CGT and SBT units subject to the Exchange Offer Election would be taken up and purchased by Sprott;
 - (ii) Sprott would exercise certain powers of attorney contained within the Letters of Transmittal to execute Special Resolutions that give effect to the Merger Transactions, and to elect new boards of trustees for each of CGT and SBT;
 - (iii) Sprott would cause CGT and SBT to implement the Merger Transactions pursuant to which CGT would transfer its assets to SPG in return for units of SPG and the assumption of CGT's liabilities, and SBT would transfer its assets to SPS in return for units of SPS and the assumption of SBT's liabilities, in each case exclusive of the administration agreement pertaining to the applicable trust; and
 - (iv) The boards of trustees of CGT and SBT, would cause CGT and SBT to amend the compulsory acquisition provisions contained in section 13.6 of the "**Declarations of Trust**" to permit a compulsory acquisition of the units of CGT and SBT upon deposit of more than 66 2/3% of the outstanding units of CGT and SBT pursuant to the Sprott Bids and to redeem all of the units of CGT and SBT (subject to retention of one unit of CGT and SBT by SPG and by SPS) in exchange for a distribution to the unitholders of the units of SPG and SPS;
- (e) The Sprott Bids have been amended by a Notice of Extension and Variation dated as of June 22, 2015, a Notice of Extension and Variation dated as of July 7, 2015, a Notice of Extension and Variation dated as of August 4, 2015, a Notice of Change dated as of August 18, 2015, a Notice of Change dated as of August 28, 2015, a Notice of Variation dated as of September 4, 2015, a Notice of Extension dated as of September 18, 2015, a Notice of Extension and Variation dated as of October 9, 2015, a Notice of Extension dated as of November 2, 2015 and a Notice of Variation dated as of November 4, 2015 (the "**November 4th Variation**");
- (f) On June 24, 2015, CGT and SBT commenced an application to the Ontario Superior Court of Justice (the "**Court**") seeking declaratory relief with respect to the Sprott Bids, following which Sprott commenced a counter-application seeking a declaration that amendments to the CGT and SBT Declarations of Trust were improper defensive tactics;

- (g) On July 31, 2015, Justice Wilton-Siegel issued his decision in both the Court application and the counter-application. He denied the declaratory and injunctive relief sought by the trustees of CGT and SBT, and required Sprott to amend the Letters of Transmittal to ensure that the powers of attorney would terminate in the event that tendered units were not paid for by Sprott within three business days of such units having been taken up and the unitholder had withdrawn such units. He also found that the amendments to the Declarations of Trust of CGT and SBT were invalid;
 - (h) On August 31, 2015, the trustees of CGT and SBT filed a Notice of Appeal from the decision of Justice Wilton-Siegel. The appeal was not perfected and it was dismissed for delay by the Court of Appeal on November 2, 2015;
 - (i) The November 4th Variation stated that the Letters of Transmittal were amended to allow Sprott to execute and deliver written resolutions removing and replacing the trustees of CGT and SBT effective on or after 5:00 p.m. (Toronto time) on November 19, 2015 if 50.1% or more of the outstanding CGT and SBT units, as applicable, were tendered to the Sprott Bids. Sprott also announced in a press release dated November 4, 2015 that it intended to convene unitholder meetings to put the Merger Transactions to a vote; and
 - (j) On November 17, 2015, the trustees of CGT and SBT each announced that they were entering into a letter of intent with Purpose Investments Inc., proposing the conversion of each of CGT and SBT into exchange-traded funds of gold and silver bullion;
5. At the hearing on November 18, 2015, the Commission heard testimony from Bruce D. Heagle and John Wilson, and oral submissions from the Applicants, the Respondents and Staff of the Commission (“**Staff**”) and reviewed the materials submitted by the parties. The letters of intent referred to in paragraph 4(j) above were not tendered as evidence at the hearing. Evidence was presented to the Hearing Panel that the proposed transactions with Purpose Investments Inc. are subject to continuing negotiation; and
 6. Having considered the grounds of relief requested by the Applicants and the submissions made by all the parties, including the Respondents’ submission that we should not entertain the Application, we are of the view that it is in the public interest to make this order, with reasons to follow.

IT IS HEREBY ORDERED that:

1. If Sprott wishes to proceed with the Sprott Gold Bid or Sprott Silver Bid it shall issue a notice of change in information providing clear and complete disclosure to unitholders of CGT and SBT concerning the effect of the November 4th Variation on the removal and replacement of the boards of trustees of CGT and SBT, unitholder withdrawal rights, the implementation of the Merger Transactions, and the attendant risks for unitholders of these matters;
2. For greater clarity, the disclosure should include:
 - (a) The effect of the amendments to the powers of attorney granted to Sprott and their intended use by Sprott;

- (b) The process by which the new trustees will effect the Merger Transactions, including the increased time period between their appointment and the implementation of the Merger Transactions, and associated risks and uncertainties;
 - (c) The change in the required unitholder approval of the Merger Transactions as a result of the November 4th Variation from that contemplated by the Special Resolutions;
 - (d) The duties of the Sprott nominees proposed to be appointed as the trustees of CGT and SBT, and specifically including the undertaking provided to the Commission at the November 18, 2015 hearing that they would resign if the Merger Transactions are not effected;
 - (e) The consequences to unitholders if the Merger Transactions fail to obtain the necessary approvals; and
 - (f) A description of the withdrawal rights available to unitholders both before and after the appointment of the new trustees;
3. Before dissemination of the notice(s) of change in information to unitholders, Sprott shall deliver them to Staff for its review and comment; and
 4. Sprott shall not exercise any rights in relation to the Letters of Transmittal before the expiration of 15 days from the date on which Sprott issues the notice(s) of change in information required by this Order.

Dated at Toronto this 19th day of November, 2015.

"Mary G. Condon"
Mary G. Condon

"D. Grant Vingoe"
D. Grant Vingoe

"Judith N. Robertson"
Judith N. Robertson