



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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Toronto ON M5H 3S8

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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 NORMAND GAUTHIER,  
GENTREE ASSET MANAGEMENT INC.,  
R.E.A.L. GROUP FUND III (CANADA) LP, and  
CANPRO INCOME FUND I, LP**

**SETTLEMENT AGREEMENT  
PART I – INTRODUCTION**

1. The Ontario Securities Commission (the “Commission”) will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the “Act”), it is in the public interest for the Commission to approve this Settlement Agreement and to make certain orders in respect of Normand Gauthier (“Gauthier”), Gentree Asset Management Inc. (“Gentree”), R.E.A.L. Group Fund III (Canada) LP (“RIII”), and CanPro Income Fund I, LP (“CanPro”) (collectively, the “Respondents”).

**PART II – JOINT SETTLEMENT RECOMMENDATION**

2. Staff of the Commission (“Staff”) agree to recommend settlement of the proceeding commenced by Notice of Hearing dated March 27, 2012 (the “Proceeding”) against the Respondents according to the terms and conditions set out in Part V of this Settlement Agreement. The Respondents agree to the making of an order in the form attached as Schedule “A”, based on the facts set out below.

### **PART III – AGREED FACTS**

3. For this proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, the Respondents agree with the facts as set out in Part III of this Settlement Agreement.

#### **A. OVERVIEW**

4. Between December 1, 2004 until September 26, 2011, (the “Relevant Period”), the Respondents breached sections 19, 25, 53 and 126.2(1) of the Securities Act, R.S.O. 1990, c. S.5, engaged in conduct contrary to sections 11.5(a), 12.1(3), 13.2 and 13.3 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations (“NI 31-103”) and therefore acted in a manner that was contrary to Ontario securities law and the public interest. In particular, the Respondents breached securities laws while selling securities and provided information to potential investors omitting facts necessary not to be misleading. Further, during the Relevant Period, Gentree and its principals failed to comply with their obligations as registrants in respect of record keeping, capital requirements and portfolio management. Additionally, as an officer and/or director of the other Respondents, Gauthier is deemed to have not complied with Ontario securities laws, pursuant to section 129.2 of the Act.

#### **B. THE RESPONDENTS**

5. Gentree is a corporation with its head office in Mississauga, Ontario. Until August 17, 2011, Gentree was registered as a dealer in the category of exempt market dealer and as an adviser in the category of portfolio manager in Alberta, British Columbia, and Ontario<sup>1</sup>. In Manitoba, Gentree was registered as a dealer in the category of exempt market dealer, and in Québec it was registered as an adviser in the category of portfolio manager. In Ontario, the registration of Gentree as a dealer in the category of exempt market dealer was suspended on August 17, 2011, and its registration as a portfolio manager was suspended on September 26, 2011, as a result of Temporary Orders obtained on consent from the Commission.
6. Gauthier is a resident of Mississauga, Ontario. Until Gentree’s registrations were suspended, Gauthier was registered as a dealing representative, chief compliance officer and ultimate

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<sup>1</sup> In Ontario, Gentree was registered as an investment counsel and portfolio manager, limited market dealer and commodity trading manager (“CTM”) since October 2007. In September 2009, those categories of registration were transitioned to portfolio manager, exempt market dealer and CTM with the coming into force of NI 31-103. Gentree surrendered its CTM registration as at December 31, 2009.

designated person of Gentree. Gauthier was also the sole officer and director of RIII, and he controlled the general partner of CanPro.

7. RIII is a limited partnership existing pursuant to the laws of Alberta. The general partner of RIII is R.E.A.L. Group Fund III (Canada) GP Inc., which is solely owned by Gauthier, who is also its president.
8. CanPro is a limited partnership existing pursuant to the laws of the state of Texas, which was formed to operate a real estate development fund in the United States. The general partner of CanPro is CanPro Capital Management LLC, which is controlled by Gauthier.

### **C. ILLEGAL DISTRIBUTION OF SHARES TO THE PUBLIC**

9. The exempt market dealer aspect of Gentree's business involved the distribution of securities including those of Real Group Fund I LLC ("RF") a fund formed as limited liability company under the laws of Nevada and of RIII, as well as shares in Gentree itself. RIII and Gentree are related issuers.
10. Between December 1, 2004 and May 31, 2011, Gauthier and Gentree sold common shares, warrants, and preferred shares of Gentree for approximately \$1,785,950.62 (the "Gentree Securities") to approximately sixty (60) Ontario investors, not all of whom qualified as accredited investors or met other applicable prospectus exemptions.
11. Gauthier and Gentree sold shares, between May 2009 and January 2011, in RIII and RI to approximately eight Ontario investors. In particular,
  - (a) Between May 12, 2009 to June 4, 2009, Gentree raised US\$349,000 from three Ontario investors, for investment in RI, not all of whom qualified as accredited investors or met other applicable prospectus exemptions; and
  - (b) Between September 30, 2009 to January 11, 2011, Gentree raised US\$359,557 from five Ontario investors for investment in RIII.
12. Gauthier and Gentree sold the Gentree Securities and shares in RI to some Ontario residents in circumstances where there were no prospectus exemptions available to them under the Act. Through these acts, Gentree acted outside the scope of its categories of registration with the

Commission. Further, Gauthier traded and acted outside the scope of his categories of registration with the Commission. Consequently, Gauthier and Gentree breached s. 25(1) of the Act.

13. The sales by Gentree and Gauthier of Gentree Securities and shares in RI to investors who did not meet applicable prospectus exemptions constituted trading and distributions of securities, contrary to section 53 of the Act. Neither Gentree nor RI has ever filed a preliminary prospectus or a prospectus with the Commission, and no prospectus receipt has ever been issued to qualify the sale of those shares.

#### **D. MISREPRESENTATIONS TO INVESTORS**

14. During the sale of the shares of RIII, the Respondents made statements that the funds raised by the distribution of RIII securities would be used to invest in units of CanPro, which would in turn invest in real estate development projects in the United States. However, a significant portion of the funds raised from investors were diverted to Gentree and utilized for purposes not disclosed to the investors. In particular, the Respondents:
  - (a) transferred funds to Gentree, including the amount of US \$150,000 representing a “syndication fee” that was not disclosed in RIII’s offering documents;
  - (b) recorded additional accounts receivable on Gentree’s books due from RIII and CanPro. Although Gentree did spend significant time and expense on legal fees and other disbursements to contest a receivership that resulted in recovery of funds for RI investors, these were not related to RIII or CanPro expenses; and
  - (c) commingled RIII investor funds with RI funds in a RIII bank account.
15. This conduct was contrary to Ontario securities law in that each of the Respondents made representations and provided information to potential investors that the Respondents knew or reasonably ought to have known in a material respect was inaccurate and omitted facts necessary not to be misleading, and which would reasonably be expected to have a significant effect on the value of these securities. In so doing, the Respondents breached section 126.2(1) of the Act.

**E. FAILURE TO KEEP PROPER BOOKS AND RECORDS**

16. Gentree and Gauthier also failed to keep books, records and other documents as are necessary for the proper recording of market participants' business transactions and financial affairs, contrary to section 19 of the Act.

**F. GENTREE WAS INSUFFICIENTLY CAPITALIZED**

17. From at least June 2011, Gentree had solvency issues and was not meeting the minimum capital requirements as outlined in subsection 12.1(3) of NI 31-103. Gauthier proposed to rectify this capital deficiency by raising further funds from investors through the distribution of additional Gentree Securities.

**G. GENTREE'S PORTFOLIO MANAGEMENT BUSINESS WAS DEFICIENT**

18. The portfolio management aspect of Gentree's business involved the management of approximately 127 accounts for 65 individual clients over which the firm had discretionary trading authority. The total assets under Gentree's management as of May 31, 2011 amounted to approximately \$7.6 million at that time. The securities contained in these client accounts were held by unaffiliated custodians. Gentree's clients were invested in relatively conservative mutual funds, implementing a buy and hold value investing strategy.
19. In the months prior to its suspension as a portfolio manager, Gentree's portfolio management responsibilities were not being properly discharged or supervised by Gentree and Gauthier. Gentree violated the know your client and suitability obligations as outlined in subsections 13.2 and 13.3 of NI 31-103, as the advising representative (who was not Gauthier) failed to meet with clients and to ensure that sufficient information was on hand when making or approving all trades. Further, Gentree did not maintain written records of trade instructions and failed to maintain evidence of portfolio oversight, thereby failing to meet the general record requirements of subsection 11.5(1) of NI 31-103.
20. In addition, despite the fact that he is not registered as an advising representative, Gauthier accepted and executed instructions from clients to redeem investments contained in their managed accounts, without obtaining prior approval from the firm's advising representative, contrary to s. 25(3) of the Act.

## **H. GAUTHIER'S NON-COMPLIANCE**

21. Gauthier authorized, permitted or acquiesced in the breaches by Gentree, RIII and CanPro of sections 19, 25, 53, and 126.2(1) of the Act, along with the breaches of sections 11.5(a), 12.1(3), 13.2 and 13.3 of NI 31-103, and in so doing, is deemed to have not complied with Ontario securities laws, pursuant to section 129.2 of the Act, and has engaged in conduct contrary to Ontario securities law.

## **I. REPAYMENT BY GAUTHIER OF RI AND RIII INVESTMENTS**

22. Following the raising of investor funds for RI and RIII, each of those funds made certain unsuccessful investments, and have since been wound up. The Respondents received \$57,085.28 as proceeds of a U.S. receivership arising from RI's activities, and approximately \$120,000 plus interest arising from the return of an RIII investment.
23. Commencing in early 2013, the Respondents made offers to the RI and RIII investors seeking to be released from any claims arising from these investments in consideration of payment of negotiated amounts. Each of the three (3) RI investors executed a full and final release in this regard, and agreed to payment of a total amount of \$57,085. The Respondents have since repaid the RI investors a total of \$57,085 pursuant to the release agreements.
24. Each of the five RIII investors have also executed full and final releases, in consideration of payment for a total amount of \$282,687, representing the proceeds from an RIII investment and the "syndication fee". The Respondents have since repaid, on their own volition, the RIII investors a total amount of \$168,267. Gauthier has personally paid a significant portion of this sum and has committed to personally repay the outstanding \$114,420 to RIII investors. The Respondents have, jointly and severally, given an undertaking to the Commission, in the form attached as Schedule "B" to this Settlement Agreement (the "Undertaking"), to pay out the remaining \$114,420 owed to the remaining RIII investors pursuant to the agreements entered into between the Respondents and the RIII investors, within 6 months of the approval by the Commission of this Settlement Agreement.
25. The Respondents have cooperated with Staff throughout the investigation.

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

26. By engaging in the conduct described above, the Respondents admit and acknowledge that they have breached Ontario securities law by contravening sections 19, 25, 53, and 126.2(1) of the Act, and sections 11.5(a), 12.1(3), 13.2 and 13.3 of NI 31-103, Gauthier is deemed to have not complied with Ontario securities laws, pursuant to section 129.2 of the Act, and the Respondents admit and acknowledge that they have acted contrary to the public interest.
27. In particular:
- (a) Gauthier and Gentree traded and acted outside the scope of their categories of registration with the Commission in selling shares in Gentree and RI. In relation to the Gentree Securities, this conduct was contrary to section 25(1)(a) of the Act as that section existed at the time the conduct at issue commenced on December 1, 2004. Further, for the Gentree Securities and the shares in RI sold after September 28, 2009, this conduct was also contrary to section 25(1) of the Act, as subsequently amended on September 28, 2009;
  - (b) Gauthier and Gentree traded in Gentree Securities and shares in RI without the required prospectus receipt or appropriate exemption, contrary to section 53 of the Act;
  - (c) Gauthier and Gentree failed to keep books, records and other documents as are necessary for the proper recording of market participants' business transactions and financial affairs, contrary to section 19 of the Act;
  - (d) The Respondents made representations and provided information to potential investors that the Respondents knew or reasonably ought to have known in a material respect was inaccurate and omitted facts necessary not to be misleading, and which would reasonably be expected to have a significant effect on the value of these securities, in contravention of s. 126.2(1) of the Act;
  - (e) Gentree was not meeting the minimum capital requirement in violation of subsection 12.1(3) of NI 31-103;

- (f) Gentree's portfolio management responsibilities were not properly discharged or supervised by Gentree and Gauthier in violation of subsections 11.5 (a), 13.2 and 13.3 of NI 31-103;
- (g) Gauthier accepted and executed instructions from clients to redeem investments contained in their managed accounts, therefore engaging in, or holding himself out as engaging in, the business of advising with respect to investing in, buying or selling securities without being registered to do so, contrary to section 25 of the Act; and
- (h) Gauthier, as an officer and/or director, has authorized, permitted or acquiesced in the breaches by Gentree, RIII and CanPro, of sections 19, 25, 53, and 126.2(1) of the Act, along with the breaches of NI 31-103, and is deemed to have not complied with Ontario securities laws, pursuant to section 129.2 of the Act,

#### **PART V – TERMS OF SETTLEMENT**

28. The Respondents agree to the terms of settlement listed below and to the Order attached hereto, made by the Commission pursuant to section 127(1) and section 127.1 of the Act:
- (a) the Settlement Agreement is approved;
  - (b) the Respondents will be reprimanded, pursuant to paragraph 6 of section 127(1) of the Act;
  - (c) the registrations granted to Gauthier and Gentree under Ontario securities law are terminated, pursuant to paragraph 1 of section 127(1) of the Act;
  - (d) trading in any securities by or of Gentree, RIII and CanPro shall cease permanently, pursuant to paragraph 2 of section 127(1) of the Act;
  - (e) acquisition of any securities by Gentree, RIII and CanPro is prohibited permanently, pursuant to paragraph 2.1 of section 127(1) of the Act;
  - (f) any exemptions contained in Ontario securities law do not apply to Gentree, RIII and CanPro permanently, pursuant to paragraph 3 of section 127(1) of the Act;



- (g) trading in any securities by Gauthier, including as the term “security” is defined in subsections 1(1) and 76(6) of the Act, whether direct or indirect, shall cease for a period of 10 years from the date of the order approving the Settlement Agreement, pursuant to paragraph 2 of section 127(1) of the Act;
- (h) acquisition of any securities by Gauthier, including as the term “security” is defined in subsections 1(1) and 76(6) of the Act, whether direct or indirect, is prohibited for a period of 10 years from the date of the order approving the Settlement Agreement, pursuant to paragraph 2.1 of section 127(1) of the Act;
- (i) any exemptions contained in Ontario securities law do not apply to Gauthier for a period of 10 years from the date of the order approving the Settlement Agreement, pursuant to paragraph 3 of section 127(1) of the Act;
- (j) Gauthier shall immediately resign all positions that he holds as a director or officer of any reporting issuer, registrant or investment fund manager, pursuant to paragraphs 7, 8.1 and 8.3 of section 127(1) of the Act;
- (k) Gauthier shall immediately resign any position he holds as a director or officer of Gentree, and any other issuers (except as set out in subparagraph 28(n) below) pursuant to paragraph 7 of section 127(1) of the Act;
- (l) Gauthier shall be permanently prohibited from becoming or acting as a director or officer of any registrant or investment fund manager, pursuant to paragraphs 8.2 and 8.4 of section 127(1) of the Act;
- (m) Gauthier is prohibited for a period of 10 years from the date of the order approving the Settlement Agreement from becoming or acting as a director or officer of any reporting issuer, pursuant to paragraph 8 of section 127(1) of the Act;
- (n) Gauthier is prohibited for a period of 10 years from the date of the order approving the Settlement Agreement, pursuant to paragraphs 8 of subsection 127(1), from becoming or acting as a director or officer of any issuer, with the exception that Gauthier is permitted to act or continue to act as a director and officer of any company through which he carries on business, so long as there are no more than 10 holders of the securities of the corporation, including him, his spouse, and/or immediate family;

- (o) the Respondents shall be permanently prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter, pursuant to paragraph 8.5 of section 127(1) of the Act;
- (p) the Respondents shall have delivered to the Commission the Undertaking, in the form attached as Schedule “B” to this Settlement Agreement, whereby the Respondents jointly and severally undertake to pay out the remaining \$114,420 owed to the remaining RIII investors pursuant to the agreements entered into between the Respondents and the RIII investors, within 6 months of the approval by the Commission of this Settlement Agreement;
- (q) in the event that the Respondents do not fully comply with the Undertaking, then pursuant to paragraph 10 of section 127(1) of the Act, the Respondents shall disgorge to the Commission the unpaid balance arising from the Undertaking, up to the amount of \$114,420 obtained as a result of non-compliance with Ontario securities law. The amount of \$114,420 to be disgorged to the Commission pursuant to this paragraph 28(q) shall be reduced by the same amount as any funds paid back to the RIII investors in accordance with the Undertaking and the agreements entered into between the Respondents and the said investors, provided that satisfactory supporting evidence of such payments is provided by the Respondents to Staff. This disgorgement amount is to be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the Act;
- (r) in the event that the Respondents do not fully comply with the Undertaking, then pursuant to paragraph 10 of section 127(1) of the Act, Gauthier and Gentree, jointly and severally, shall disgorge to the Commission the amount of \$1,785,950.62, obtained as a result of non-compliance with Ontario securities law, which amount is designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the Act. In the event that the Respondents fail to comply with the terms of the Undertaking and this Settlement Agreement, the amounts set out in sub-paragraphs 28(q) and (r) shall be payable immediately, along with interest from the date of the Order attached as Schedule “A” at the rate of 3% per annum, or such higher amount as may be applicable at the time that such Order is filed with the courts in accordance with section 129 of the *Courts of Justice Act* R.S.O. 1990 c. C-43 as amended.

- (s) pursuant to paragraph 9 of subsection 127(1) of the Act, Gauthier shall be ordered to pay to the Commission an administrative penalty in the amount of \$15,000, payable within one year from the date of the order approving the Settlement Agreement, for his failure to comply with Ontario securities law. The administrative penalty shall be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the Act;
- (t) pursuant to section 127.1 of the Act, Gauthier shall be ordered to pay to the Commission the amount of \$10,000 payable within one year from the date of the order approving the Settlement Agreement, representing a portion of Staff's costs in this matter;
- (u) after the payments set out in paragraphs 28 (p), (q), (r), (s) and (t) are made in full, as an exception to the provisions of paragraphs 28 (g), (h) and (i), Gauthier will be permitted to:
  - i. trade in or acquire, for the account of any registered retirement savings plan, registered pension plan, tax free savings accounts and self-directed retirement savings plans as defined in the Income Tax Act, R.S.C. 1985, c.1, as amended, in which Gauthier and/or his spouse have sole legal and beneficial ownership, and such trading shall be carried out solely through a registered dealer in Canada (which dealer must be given a copy of this Order) (a) any "exchange-traded security" or "foreign exchange-traded security" within the meaning of National Instrument 21-101 provided that he does not own beneficially or exercise control or direction over more than 5 percent of the voting or equity securities of the issuer(s) of any such securities, or (b) any security issued by a mutual fund that is a reporting issuer;
  - ii. acquire securities of a "private issuer" as defined in section 2.4 of National Instrument 45-106 for investment purposes and the purposes of operating a business for (i) his own account, (ii) the account of a corporation of which he and/or his spouse have sole legal and beneficial ownership, or (iii) the account of a trust in which his children are the sole beneficiaries, except that Gauthier shall not be permitted to acquire securities in a private issuer that holds, directly or indirectly, securities of a reporting issuer as defined in sections 1(1)

and 76(5) of the Act or any other issuer with a real and substantial connection to Ontario, any securities of which are publicly traded; and

iii. exemptions are permitted for the purpose of trades described in subparagraphs 28(u)(i) and (ii) above.

(v) until the entire amount of the payments set out in subparagraphs 28 (p), (q), (r), (s), and (t), are paid in full, the prohibitions set out in subparagraphs 28 (g), (h), (i), (m) and (n) shall continue in force without any limitation as to time period.

29. Gauthier, on his own behalf and on behalf of Gentree, RIII and CanPro, hereby consents to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the prohibitions set out in sub-paragraphs 28 (b) to (o) above, and further, hereby consents to such orders as may be necessary to permit the collection of any assets held by the Respondents and the distribution to investors. These prohibitions and orders may be modified to reflect the provisions of the relevant provincial or territorial securities law.

#### **PART VI – STAFF COMMITMENT**

30. If the Commission approves this Settlement Agreement, Staff will not commence any proceeding under Ontario securities law in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 31 below.

31. If the Commission approves this Settlement Agreement and the Respondents fail to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Ontario securities law against the Respondents. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement. In addition, if this Settlement Agreement is approved by the Commission, and the Respondents fail to comply with the terms of the Settlement Agreement, the Commission is entitled to bring any proceedings necessary to recover the amounts set out in subparagraphs 28 (p), (q), (r), (s) and (t), above.

**PART VII – PROCEDURE FOR APPROVAL OF SETTLEMENT**

32. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled for October 8, 2013, or on another date agreed to by Staff and the Respondents, according to the procedures set out in this Settlement Agreement and the Commission's *Rules of Procedure*.
33. Staff and the Respondents agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on the Respondents' conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.
34. If the Commission approves this Settlement Agreement, the Respondents agree to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.
35. If the Commission approves this Settlement Agreement, none of the parties will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.
36. Whether or not the Commission approves this Settlement Agreement, the Respondents will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

**PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT**

37. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule "A" to this Settlement Agreement:
  - (a) this Settlement Agreement and all discussions and negotiations between Staff and the Respondents before the settlement hearing takes place will be without prejudice to Staff and the Respondents; and
  - (b) Staff and the Respondents will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Statement of Allegations. Any proceedings, remedies and

challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this agreement.

38. Both parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement. At that time, the parties will no longer have to maintain confidentiality. If the Commission does not approve the Settlement Agreement, both parties must continue to keep the terms of the Settlement Agreement confidential, unless they agree in writing not to do so or if required by law.

**PART IX – EXECUTION OF SETTLEMENT AGREEMENT**

39. The parties may sign separate copies of this agreement. Together, these signed copies will form a binding agreement.

40. A copy of any signature will be treated as an original signature.

DATED this 2<sup>nd</sup> day of October, 2013.

	)	
	)	
<i>“LYNN GAUTHIER”</i>	)	<i>“NORMAND GAUTHIER”</i>
_____	)	_____
Witness	)	<b>NORMAND GAUTHIER</b>
	)	

DATED this 2<sup>nd</sup> day of October, 2013.

	)	
	)	
<i>“LYNN GAUTHIER”</i>	)	<i>“NORMAND GAUTHIER”</i>
_____	)	_____
Witness	)	<b>GENTREE ASSET MANAGEMENT INC.</b>
	)	Per: <b>NORMAND GAUTHIER</b>
	)	Authorized Signatory

DATED this 2<sup>nd</sup> day of October, 2013.

	)	
	)	
<i>“LYNN GAUTHIER”</i>	)	<i>“NORMAND GAUTHIER”</i>
_____	)	_____
Witness	)	<b>R.E.A.L. GROUP FUND III (CANADA) LP</b>
	)	Per: <b>NORMAND GAUTHIER</b>
	)	Authorized Signatory

DATED this 2<sup>nd</sup> day of October, 2013.

*“LYNN GAUTHIER”*

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Witness : *“LYNN GAUTHIER”*

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*“NORMAND GAUTHIER”*

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**CANPRO INCOME FUND I, LP**  
Per: **NORMAND GAUTHIER**  
Authorized Signatory

DATED this 1<sup>st</sup> day of October, 2013.

*“TOM ATKINSON”*

\_\_\_\_\_  
**TOM ATKINSON**  
Director, Enforcement Branch

## SCHEDULE "A"



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

22<sup>nd</sup> Floor  
20 Queen Street West  
Toronto ON M5H 3S8

22e étage  
20, rue queen ouest  
Toronto ON M5H 3S8

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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 NORMAND GAUTHIER,  
GENTREE ASSET MANAGEMENT INC.,  
R.E.A.L. GROUP FUND III (CANADA) LP, and  
CANPRO INCOME FUND I, LP**

- AND -

**IN THE MATTER OF A SETTLEMENT AGREEMENT BETWEEN  
STAFF OF THE ONTARIO SECURITIES COMMISSION AND  
NORMAND GAUTHIER, GENTREE ASSET MANAGEMENT INC.,  
R.E.A.L. GROUP FUND III (CANADA) LP, and  
CANPRO INCOME FUND I, LP**

**ORDER**

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

**WHEREAS** on March 27, 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") to consider whether it is in the public interest to make orders, as specified therein, against and in respect of Normand Gauthier ("Gauthier"), Gentree Asset Management Inc. ("Gentree"), R.E.A.L. Group Fund III (Canada) LP ("RIIP"), and CanPro Income Fund I, LP ("CanPro") (collectively, the "Respondents"). The Notice of Hearing was issued in connection with the allegations as set out in the Statement of Allegations of Staff of the Commission ("Staff") dated March 27, 2012;

**AND WHEREAS** the Respondents entered into a Settlement Agreement with Staff of the Commission dated **October X**, 2013 (the "Settlement Agreement") in which the Respondents agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing dated March 27, 2012, subject to the approval of the Commission;



**AND WHEREAS** pursuant to the Settlement Agreement, the Respondents have, jointly and severally, given an undertaking to the Commission, in the form attached as Schedule “B” to the Settlement Agreement, to make payments to RIII investors pursuant to agreements entered into between the Respondents and the RIII investors, within 6 months of the approval by the Commission of the Settlement Agreement (the “Undertaking”);

**AND WHEREAS** on **XXXXXX**, 2013, the Commission issued a Notice of Hearing pursuant to section 127 of the Act to announce that it proposed to hold a hearing to consider whether it is in the public interest to approve a Settlement Agreement entered into between Staff and the Respondents;

**AND UPON** reviewing the Settlement Agreement, the Notices of Hearing, and the Statement of Allegations of Staff of the Commission, and upon hearing submissions from counsel for Gauthier, Gauthier on behalf of the other Respondents, and from Staff of the Commission;

**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 paragraph 6 of subsection 127(1) of the Act, the Respondents are reprimanded;
- c) pursuant to paragraph 1 of subsection 127(1) of the Act, the registrations granted to Gauthier and Gentree under Ontario securities law are terminated;
- d) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by or of Gentree, RIII and CanPro shall cease permanently;
- e) pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by Gentree, RIII and CanPro is prohibited permanently;
- f) pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Gentree, RIII and CanPro permanently;
- g) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by Gauthier, including as the term “security” is defined in subsections 1(1) and 76(6) of the Act, whether

direct or indirect, shall cease for a period of 10 years from the date of the order approving the Settlement Agreement;

- h) pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by Gauthier, including as the term “security” is defined in subsections 1(1) and 76(6) of the Act, whether direct or indirect, is prohibited for a period of 10 years from the date of the order approving the Settlement Agreement;
- i) pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Gauthier for a period of 10 years from the date of the order approving the Settlement Agreement;
- j) pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Gauthier shall immediately resign all positions that he holds as a director or officer of any reporting issuer, registrant or investment fund manager;
- k) pursuant to paragraph 7 of subsection 127(1) of the Act, Gauthier shall immediately resign any position he holds as a director or officer of Gentree, and any other issuers (subject to the exception as set out in subparagraph (n) of this Order, below);
- l) pursuant to paragraphs 8.2 and 8.4 of subsection 127(1) of the Act, Gauthier is permanently prohibited from becoming or acting as a director or officer of any registrant or investment fund manager;
- m) pursuant to paragraph 8 of subsection 127(1) of the Act, Gauthier is prohibited for a period of 10 years from the date of the order approving the Settlement Agreement from becoming or acting as a director or officer of any reporting issuer;
- n) pursuant to paragraph 8 of subsection 127(1) of the Act, Gauthier is prohibited for a period of 10 years from the date of the order approving the Settlement Agreement from becoming or acting as a director or officer of any issuer, with the exception that Gauthier is permitted to act or continue to act as a director and officer of any company through which he carries on business, so long as there are no more than 10 holders of the securities of the corporation, including him, his spouse, and/or immediate family;

- o) pursuant to paragraph 8.5 of subsection 127(1) of the Act, the Respondents are permanently prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter;
- p) in the event that the Respondents do not fully comply with the Undertaking, then pursuant to paragraph 10 of section 127(1) of the Act, the Respondents shall disgorge to the Commission the unpaid balance arising from the Undertaking, up to the amount of \$114,420 obtained as a result of non-compliance with Ontario securities law. The amount of \$114,420 to be disgorged to the Commission pursuant to this paragraph (p) shall be reduced by the same amount as any funds paid back to the RIII investors in accordance with the Undertaking and the agreements entered into between the Respondents and the said investors, provided that satisfactory supporting evidence of such payments is provided by the Respondents to Staff. This disgorgement amount is designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the Act;
- q) in the event that the Respondents do not fully comply with the Undertaking, then pursuant to paragraph 10 of section 127(1) of the Act, Gauthier and Gentree, jointly and severally, shall disgorge to the Commission the amount of \$1,785,950.62, obtained as a result of non-compliance with Ontario securities law, which amount is designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the Act;
- r) pursuant to paragraph 9 of subsection 127(1) of the Act, Gauthier shall pay to the Commission within one year of the approval by the Commission of this Settlement Agreement an administrative penalty in the amount of \$15,000.00, for his failure to comply with Ontario securities law, which amount is designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the Act;
- s) pursuant to section 127.1 of the Act, Gauthier shall pay to the Commission within one year of the approval by the Commission of this Settlement Agreement the amount of \$10,000.00, representing a portion of Staff's costs in this matter;
- t) After the payments set out in paragraphs (p), (q), (r) and (s), are made in full, as an exception to the provisions of paragraphs (g), (h) and (i) of this Order above, Gauthier is permitted to:
  - i. trade in or acquire, for the account of any registered retirement savings plan, registered pension plan, tax free savings accounts and self-directed retirement

savings plans as defined in the Income Tax Act, R.S.C. 1985, c.1, as amended, in which Gauthier and/or his spouse have sole legal and beneficial ownership, and such trading shall be carried out solely through a registered dealer in Canada (which dealer must be given a copy of this Order) (a) any "exchange-traded security" or "foreign exchange-traded security" within the meaning of National Instrument 21-101 provided that he does not own beneficially or exercise control or direction over more than 5 percent of the voting or equity securities of the issuer(s) of any such securities, or (b) any security issued by a mutual fund that is a reporting issuer;

- ii. acquire securities of a "private issuer" as defined in section 2.4 of National Instrument 45-106 for investment purposes and the purposes of operating a business for (i) his own account, (ii) the account of a corporation of which he and/or his spouse have sole legal and beneficial ownership, or (iii) the account of a trust in which his children are the sole beneficiaries, except that Gauthier shall not be permitted to acquire securities in a private issuer that holds, directly or indirectly, securities of a reporting issuer as defined in sections 1(1) and 76(5) of the Act or any other issuer with a real and substantial connection to Ontario, any securities of which are publicly traded; and
- iii. Exemptions are permitted for the purpose of trades described in subparagraphs (t)(i) and (ii) of this Order, above.

- u) Until the entire amount of the payments set out in subparagraphs (p), (q), (r) and (s) of this Order above, are paid in full, the prohibitions set out in subparagraphs (g), (h), (i), (m) and (n) shall continue in force without any limitation as to time period.

**DATED** at Toronto this <sup>th</sup> day of \_\_\_\_\_, 2013.

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## SCHEDULE "B"



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

22<sup>nd</sup> Floor  
20 Queen Street West  
Toronto ON M5H 3S8

22e étage  
20, rue queen ouest  
Toronto ON M5H 3S8

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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 NORMAND GAUTHIER,  
GENTREE ASSET MANAGEMENT INC.,  
R.E.A.L. GROUP FUND III (CANADA) LP, and  
CANPRO INCOME FUND I, LP**

**- AND -**

**IN THE MATTER OF A SETTLEMENT AGREEMENT BETWEEN  
STAFF OF THE ONTARIO SECURITIES COMMISSION AND  
NORMAND GAUTHIER, GENTREE ASSET MANAGEMENT INC.,  
R.E.A.L. GROUP FUND III (CANADA) LP, and  
CANPRO INCOME FUND I, LP**

**UNDERTAKING TO THE  
ONTARIO SECURITIES COMMISSION**

This Undertaking is given in connection with a settlement agreement dated October , 2013 between the Respondents Normand Gauthier ("Gauthier"), Gentree Asset Management Inc. ("Gentree"), R.E.A.L. Group Fund III (Canada) LP ("RIII"), and CanPro Income Fund I, LP ("CanPro") and Staff of the Commission ("Staff") (the "Settlement Agreement"), and all terms shall have the same meaning herein as therein unless otherwise defined herein.

Gauthier, personally and on behalf of each of Gentree, RIII, and CanPro, jointly and severally, hereby undertakes to the Commission, to pay out to the remaining RIII investors the remaining \$114,420 owed pursuant to the agreements entered into between the Respondents and the RIII investors, within 6 months of the approval by the Commission of the Settlement Agreement.

The undersigned may each sign separate copies of this Undertaking. A copy of any signature will be treated as an original signature.

DATED this      day of      , 2013.

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Witness

\_\_\_\_\_  
**NORMAND GAUTHIER**

DATED this      day of      , 2013.

)  
)  
)  
)  
)  
)

\_\_\_\_\_  
Witness

\_\_\_\_\_  
**GENTREE ASSET MANAGEMENT INC.**  
Per: **NORMAND GAUTHIER**  
Authorized Signatory

DATED this      day of      , 2013.

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\_\_\_\_\_  
Witness

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**R.E.A.L. GROUP FUND III (CANADA) LP**  
Per: **NORMAND GAUTHIER**  
Authorized Signatory

DATED this      day of      , 2013.

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\_\_\_\_\_  
Witness

\_\_\_\_\_  
**CANPRO INCOME FUND I, LP**  
Per: **NORMAND GAUTHIER**  
Authorized Signatory