



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  
HERITAGE EDUCATION FUNDS**

**ORDER**

**WHEREAS** on August 13, 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 Heritage Education Funds Inc. (“HEFI”) that the terms and conditions set out in Schedule “A” to the Commission orders (the “Terms and Conditions”) be imposed on HEFI (the “Temporary Order”);

**AND WHEREAS** on August 21, 2012, the Commission extended the Temporary Order against HEFI until November 23, 2012;

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

**AND WHEREAS** HEFI retained Deloitte & Touche LLP (“Deloitte”) as its Monitor and its Consultant;

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

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

**AND WHEREAS** Deloitte has filed with the OSC Manager as required by the Terms and Conditions: (i) the Consultant's Plan dated October 12, 2012; (ii) an amended Consultant's Plan dated December 17, 2012; (iii) a Progress Report dated November 10, 2012; and (iv) Monitor Reports dated September 11, October 5, and 19, November 3 and 17, December 1 and 15, 2012;

**AND WHEREAS** Staff has filed an Affidavit of Lina Creta sworn December 20, 2012 setting out the work completed by the Monitor and the Consultant;

**AND WHEREAS** the parties agree that paragraph 5 of the Terms and Conditions should be amended and replaced with a reduced monitoring regime;

**AND WHEREAS** an issue has arisen about whether Deloitte should contact 100% of all New Clients falling under paragraph 5.1 (b) of the Terms and Conditions and the Commission has directed Staff to discuss the need for this additional monitoring with Deloitte and with HEFI and to bring the issue back before the Commission if agreement cannot be reached among the parties;

**AND WHEREAS** the parties agree that the Temporary Order should be extended until March 22, 2013;

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

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

1. Paragraph 5 of the Terms and Conditions be deleted and replaced with paragraphs 5.1 and 5.2 as follows:

“5.1 As of December 20, 2012, the Monitor will review for the purpose of ensuring adequate KYC Information in order to determine suitability of the investment:

- (a) 100% of all New Client applications processed by Dealing Representatives that only become registered with HEFI within the last six months;
- (b) 100% of all New Client applications by Dealing Representatives on close supervision including those Dealing Representatives: (i) with terms and conditions on their registration; (ii) with restricted

clients; and (iii) whom (A) HEFI or (B) the Monitor and the Consultant or (C) the Consultant have identified as being of concern; and

- (c) a random sample of 30% of applications from New Clients of HEFI other than applications covered by subparagraphs (a) and (b) immediately above.

Should the Monitor not be satisfied with the KYC Information for this purpose, the Monitor will contact the New Client.

5.2 As of December 20, 2012, the Monitor will contact the following additional New Clients of HEFI for the purpose of ensuring adequate KYC Information in order to determine suitability of the investment:

- (a) 100% of the New Client applications in the 30% random sample referenced above with an income less than or equal to \$55,000 that were not otherwise contacted;
- (b) 15% of all New Client applications in the 30% random sample referenced above with an income greater than \$55,000 and less than or equal to \$70,000 that were not otherwise contacted; and
- (c) 10% of all New Client applications in the 30% random sample referenced above with an income greater than \$70,000 that were not otherwise contacted.”

2. The Temporary Order is extended to March 22, 2013, or until such further order of the Commission; and
3. The hearing is adjourned to March 21, 2013 at 9:00 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 are required to the Terms and Conditions.

**DATED** at Toronto this 20<sup>th</sup> day of December, 2012.

*“James E. A. Turner”*

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James E. A. Turner