



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 INC.**

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”), on consent, that the terms and conditions set out in Schedule “A” to the Commission orders (the “Terms and Conditions”) be imposed on Heritage Education Funds Inc. (“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 to 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 WHEREAS HEFI brought an application for directions seeking interpretation of paragraphs 5 and 6 of the Terms and Conditions;

AND WHEREAS the parties and Deloitte filed materials and made submissions on the interpretation of the Terms and Conditions at a hearing on September 24, 2012;

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

IT IS HEREBY ORDERED that:

1. The Monitor is required to call only those New Clients (as defined in the Terms and Conditions) pursuant to paragraph 5(a) of the Terms and Conditions:
 - (a) whose applications are missing information required on HEFI's current enrolment application or contain inconsistent information; or
 - (b) whose applications appear to give rise to suitability concerns using HEFI's current suitability guidelines version HEFI DIS 1/11 or any subsequent version approved by the Consultant and Staff provided that: (i) the Monitor and Staff are given two weeks notice of any changes to such documents; and (ii) the Monitor is able to implement the changes.
2. For purposes of the telephone calls contemplated in paragraph 6 of the Terms and Conditions, the Monitor shall conduct the call in accordance with the script exchanged among the Monitor, Staff and HEFI (as may be revised from time to time with the approval of HEFI and the Monitor) and is not required to ask new interim Know Your Client ("KYC") questions or impose new suitability criteria and shall use the KYC information required on HEFI's current application form and make its suitability determination as Monitor without specifically eliciting any additional information provided that:
 - (a) the Monitor may also ask New Clients with incomes indicated to be in the range of \$0-\$25,000 per year for their specific income;
 - (b) the Monitor may also take into account any information volunteered by the New Client or elicited from the New Client in its answers to questions flowing from information volunteered on the call; and
 - (c) if there is any inconsistency between the information on the application form and the information the New Client gives the Monitor during the

call, the Monitor may also ask questions to resolve the inconsistency and take the answers to the questions into account.

3. As part of the requirement for the Monitor to provide bi-weekly reports of its findings pursuant to paragraph 9 of the Terms and Conditions, the Monitor shall also report on the number of calls it has made, the number of applications accepted and rejected and the reasons for any rejections. The Monitor may also report on any deficiencies, potential deficiencies or concerns that arise as a result of its activities under paragraphs 5 and 6 of the Terms and Conditions. For greater certainty, this paragraph shall not require the Monitor to provide any conclusions or recommendations with respect to KYC or suitability issues.
4. The Monitor shall have an additional 30 days to complete any calls under paragraph 6 of the Terms and Conditions for any New Clients who subscribed for plans between August 27, 2012 and September 24, 2012.
5. If, as a result of that extension, a New Client becomes aware that he has not properly understood the fee structure, and the call was made to the New Client more than 45 days after the New Client applied for a plan, then that New Client shall have 15 days from the call with the Monitor to unwind the plan.
6. Staff shall have unrestricted access to the Monitor and the Monitor is free to speak to both HEFI and Staff with respect to the information that the Monitor has and is reporting. For greater certainty, the foregoing shall not restrict HEFI's access to the Monitor.
7. The Monitor, Staff and HEFI may seek further directions from the Commission if such directions become necessary.

DATED at Toronto this 10th day of October, 2012.

“James E. A. Turner”

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