



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels
121 King Street West, Suite 1600, Toronto, Ontario, M5H 3T9
TEL: 416-361-6332 FAX: 416-943-1218 WEBSITE: www.mfda.ca

Contact: Karen McGuinness
Vice-President, Compliance
Phone: 416-943-5897
E-mail: kmcguinness@mfda.ca

BULLETIN #0124 – C
February 3, 2005

MFDA Bulletin

Compliance

For Distribution to Relevant Parties within your Firm

Temporary Orders - Portus Alternative Asset Management Inc.

The MFDA is aware that a number of MFDA Members have entered into referral arrangements with Portus Alternative Asset Management Inc. (“Portus”) with respect to managed accounts involving BancNote Trust Series investments.

Please be advised that the Ontario Securities Commission has issued a Temporary Order which provides that, effective February 2, 2005, Portus is prohibited from opening any new client accounts, or accepting any new funds or assets for investment in respect of any existing client accounts. The OSC Temporary Order is based in part on possible contraventions of sections 113 and 123 of Ontario Regulation 1015, R.R.O. 1990 of the *Securities Act*, and subsections 2.1(1) and 1.5(1)(b) of OSC Rule 31-505. A copy of the OSC Temporary Order is attached. Other securities commissions have issued similar orders or have raised similar concerns. Members seeking more information should contact the securities commissions directly.

Accordingly, MFDA Members in the affected jurisdictions must immediately cease referring clients to Portus during the period covered by the Temporary Order and any subsequent orders.

MFDA Staff have in MR Notice MR-0030 previously reminded Members that securities related referrals cannot be entered into by Approved Persons either directly or indirectly through another entity, such as an insurance agency or a personal service corporation associated with an Approved Person. Pursuant to MFDA Rule 2.4.2, securities related referrals can only be made through a Member.

MFDA Members should take appropriate steps to determine if Approved Persons have entered into referral arrangements directly with Portus and if so, cease such activity immediately.

Any cases of non-compliance with the requirements identified in this notice will be referred to Enforcement.

Doc #51052v1

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

- and -

**PORTUS ALTERNATIVE ASSET
MANAGEMENT INC.**

**TEMPORARY ORDER
(Section 127)**

WHEREAS it appears to the Ontario Securities Commission (the “Commission”) that:

1. Portus Alternative Asset Management Inc. (“Portus”) is a registered Investment Counsel/Portfolio Manager and Limited Market Dealer.
2. At present, Portus has opened managed client accounts for approximately 26,000 clients across Canada. The majority of these clients are resident in Ontario. Portus appears to be selling to all clients the same portfolio of securities. Each portfolio contains securities which are held and/or traded to mimic the performance of BancNote Trust mutual funds, non-prospectus mutual funds which Portus also manages.
3. Portus Asset Management Inc. (“PAM”) created the BancNote Trust funds. PAM is not registered with any securities commission in Canada. Portus acts as the Investment Adviser of the BancNote Trust.
4. Portus receives approximately \$20 million of new investment funds or assets from a combination of existing and new clients each week.
6. Portus has approximately \$800 million under management at present. The majority of these funds are from Ontario clients.
7. Portus appears to have contravened sections 113 and 123 of Ontario Regulation 1015, R.R.O. 1990 of the *Securities Act*, and subsections 2.1(1) and 1.5(1)(b) of OSC Rule 31-505 and, to date, has failed to take adequate steps to remedy these breaches.

8. The conduct referred to above appears to be contrary to the public interest.

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

AND WHEREAS the Commission is of the opinion that the time required to conclude a hearing could be prejudicial to the public interest;

AND WHEREAS by Commission order made March 15, 2004 pursuant to section 3.5(3) of the Act, any one of David A. Brown, Paul M. Moore and Susan Wolburgh Jenah acting alone, is authorized to make orders under section 127 of the Act;

IT IS HEREBY ORDERED that, pursuant to subsections 127(1)1 and 127(5) of the Act, the following terms and conditions are imposed on Portus' registration (the "Terms"):

1. Effective immediately, Portus shall not open any new client accounts; and
2. Effective immediately, Portus shall not accept any new funds or other assets for investment in respect of any existing client accounts.

IT IS FURTHER ORDERED that the Terms supplement and do not replace any other specific terms and conditions that currently apply to Portus and Portus continues to be subject to all applicable general terms, conditions and other requirements contained in the Act and any Regulations made thereunder; and

IT IS FURTHER ORDERED that, pursuant to subsection 127(6) of the Act, this Order shall take effect immediately and shall expire on the fifteenth day after its making unless extended by the Commission.

DATED at Toronto this 2nd day of February, 2005.

"Paul M. Moore"

Paul M. Moore, Q.C.