

July 9, 2010

IN THE MATTER OF THE SECURITIES LEGISLATION OF MANITOBA, ONTARIO AND  
SASKATCHEWAN (the "Jurisdictions")

AND

IN THE MATTER OF THE PROCESS FOR EXEMPTIVE RELIEF APPLICATIONS IN  
MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF WAYNE TOWNSEND (the "Filer")

## **Background**

The securities regulatory authority or regulator in each of the Jurisdictions (each, a "Decision Maker") has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the "Legislation") that allows the Filer to serve as a director, officer or partner of Cardinal Capital Management, Inc. ("Cardinal") despite the Filer being a registered dealing representative of a company that is not an affiliate of Cardinal.

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application):

- (a) The Manitoba Securities Commission is the principal regulator for the Application;
- (b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in Saskatchewan; and
- (c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

## **Interpretation**

Terms defined in National Instrument 14-101 *Definitions* have the same meaning if used in this decision, unless otherwise defined.

## **Representations**

This decision is based on the following facts represented by the Filers:

1. The Filer is a resident of Manitoba.

2. The Filer is registered in the Jurisdictions as a dealing representative of Lawton Partners Financial Planning Services Ltd. ("LPFPS"), which is registered under NI 31-103 as a dealer in the category of mutual fund dealer.
3. Cardinal was incorporated under the laws of the Province of Manitoba on August 14, 1992, and its head office is located at 506-1780 Wellington Avenue, Winnipeg, Manitoba R3H 1B3.
4. Cardinal is registered under NI 31-103 in all provinces and territories of Canada, including the Jurisdictions, as an advisor in the category of portfolio manager.
5. On April 30, 2001, Value Partners Inc. (now called ICPM Holdings Inc.) acquired an equity interest in Cardinal (the "Investment"). As a condition of the Investment, the Filer was elected as a director of Cardinal on April 30, 2001.
6. The Filer is not now and has never been an employee of Cardinal, and has never had any supervisory or compliance responsibilities for Cardinal, other than in his capacity as a director.
7. The Filer has an indirect beneficial ownership interest in Cardinal.
8. At the time of the Investment, Cardinal was only registered in Manitoba. There were no laws in force in Manitoba at the time that precluded the Filer from serving as a director of Cardinal.
9. When Cardinal applied for registration as an Extra-Provincial Advisor (ICPM) in Ontario in late 2002, Cardinal became subject to OSC Rule 31-501 (Registrant Relationships). As required by section 2.1 of that rule:
  - o Cardinal disclosed to the Ontario Securities Commission the details of the relationship that Cardinal had with the Filer and the business reasons for the relationship.
  - o Cardinal adopted policies and procedures to minimize the potential for conflict of interest arising from the relationship.
  - o Cardinal instituted appropriate relationship disclosure and consent policies.
10. On October 29, 2002, Cardinal obtained its registration in Ontario as an Extra-Provincial Advisor (ICPM). Subsequently, Cardinal obtained registration as a portfolio manager in all other provinces and territories of Canada.
11. The specific policies and procedures that Cardinal adopted at the time of the Investment and subsequently were aimed at ensuring full disclosure and transparency to clients with respect to Cardinal's relationship with the Filer. Specifically:
  - a. Where the Filer refers clients to Cardinal, the fact that the Filer serves as a director of Cardinal and the fact that the Filer has an indirect beneficial ownership interest in Cardinal, as well as the fact that the Filer receives a referral fee for the referral of clients, is fully disclosed in writing on referral fee acknowledgment forms which are signed by the client.

b. Where Cardinal clients are invested in VPI Cardinal Series Units of the Value Partners Pools (a mutual fund series which Cardinal sub-advises), the client receives and signs a disclosure that sets out the fact that the Filer serves as a director of Cardinal and the fact that the Filer has an indirect beneficial ownership interest in Cardinal, as well as the Filers connection to Value Partners Investments Inc., the investment fund manager.

12. The business relationships and referral arrangements between LFPS and Cardinal comply with the requirements of NI 31-103.

13. As a director, the Filer provides valuable strategic guidance and advice to the Board and senior management at quarterly Board meetings.

14. Cardinal is not an "affiliate" of LPFPS, ICPM Holdings Inc. or any other company

### **Decision**

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemptive Relief Sought is granted.

The decision shall cease to be operative if the Filer:

(a) ceases to be registered as a dealing representative of LFPS; or

(b) ceases to be a director of Cardinal.

*"Chris Besko"*

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Deputy-Director Legal  
The Manitoba Securities Commission