



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 -

**NORTH AMERICAN FINANCIAL GROUP INC., NORTH AMERICAN CAPITAL
INC., ALEXANDER FLAVIO ARCONTI AND LUIGINO ARCONTI**

**ORDER
(Subsections 127(7) and 127(8) of the *Securities Act*)**

WHEREAS on November 10, 2010, pursuant to subsections 127(1) and 127(5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “*Act*”), the Ontario Securities Commission (the “**Commission**”) made a temporary order against North American Financial Group Inc. (“**NAFG**”), North American Capital Inc. (“**NAC**”), Alexander Flavio Arconti (“**Flavio**”) and Luigino Arconti (“**Gino**”) (collectively, the “**Respondents**”);

AND WHEREAS the temporary order made by Commission Order on November 10, 2010 provides (the “**Temporary Order**”):

1. pursuant to clause 2 of subsection 127(1) of the *Act*, that all trading in the securities of NAFG and NAC shall cease;
2. pursuant to clause 2 of subsection 127(1) of the *Act*, that NAFG, NAC, Flavio and Gino cease trading in all securities; and
3. that pursuant to clause 3 of subsection 127(1) of the *Act*, that the exemptions contained in Ontario securities law do not apply to NAFG, NAC, Flavio or Gino;

AND WHEREAS the Commission ordered that the Temporary Order shall expire on the fifteenth day after its making unless extended by order of the Commission;

AND WHEREAS by Commission Order dated November 23, 2010, the Temporary Order was amended such that Flavio and Gino may trade in securities for their own accounts or their parents’ accounts or for the accounts of their registered retirement savings plan or registered income fund (as defined in the *Income Tax Act* (Canada)) provided that they trade through

accounts opened in their parents' names or either of their names only (the "**2010 Temporary Order**");

AND WHEREAS the 2010 Temporary Order was extended from time to time;

AND WHEREAS on December 28, 2011, the Commission issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Act*, in relation to a Statement of Allegations filed by Staff on the same day against the Respondents;

AND WHEREAS by Order dated March 25, 2011, the 2010 Temporary Order was amended to permit NAFG and its officers and directors to issue convertible debentures in accordance with a proposal made under the *Bankruptcy and Insolvency Act* (the "**BIA**") in the matter of NAFG (the "**2011 Temporary Order**");

AND WHEREAS the 2011 Temporary Order was extended from time to time;

AND WHEREAS by Order dated April 10, 2012, the 2011 Temporary Order was extended to July 10, 2012 and the hearing was adjourned to July 5, 2012;

AND WHEREAS on July 5, 2012, counsel for the Respondents advised the Commission that the Respondents consented to the extension of the 2011 Temporary Order;

AND WHEREAS on July 5, 2012, the Commission ordered that the 2011 Temporary Order be extended until the final disposition of this matter, including, if appropriate, any final determination with respect to sanctions and costs;

AND WHEREAS a hearing on the merits in this matter was held before the Commission on April 29 and 30, May 1-3, 6, 8-10, 22 and 23 and September 11, 2013;

AND WHEREAS following the hearing on the merits, the Commission issued its Reasons and Decision with respect to the merits on December 11, 2013 and ordered, amongst other things, that the hearing to determine sanctions and costs will be held on March 24, 2014 at 10:00 a.m.;

AND WHEREAS on January 6, 2013, Melotel Inc. ("**Melotel**") applied to the Commission, pursuant to section 144 of the *Act* (the "**Application**"), for a partial revocation of the 2011 Temporary Order to allow the holders of NAFG debentures an opportunity to vote on a bankruptcy proposal concerning the exchange of NAFG debentures for shares in Melotel (the "**Melotel Proposal**");

AND WHEREAS pursuant to the Melotel Proposal, all creditors of NAFG shall be issued shares in Melotel in exchange for debts owed to them by NAFG in varying quantities proportionate to the nature and amount of their debt;

AND WHEREAS the Application provides that NAFG will forward a copy of the Melotel Proposal to the Commission once it is finalized and ready for presentation to the investors of NAFG;

AND WHEREAS Staff opposes the Application and provided written submissions in support of its position, and counsel for Melotel provided further written submissions in response to Staff's submissions;

AND WHEREAS the Respondents did not provide any submissions on the Application;

AND WHEREAS on February 12, 2014, counsel for Melotel filed a copy of a proposal of NAFG made under subsections 50(2) and 62(1) of the *BIA*;

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

IT IS ORDERED that the 2011 Temporary Order be amended to permit the Melotel Proposal to be put before NAFG's creditors to permit Melotel and the Trustee in Bankruptcy of NAFG to respond to inquiries from NAFG's creditors concerning the Melotel Proposal, and to permit the exchange of NAFG debt obligations for shares in Melotel in accordance with the terms of the Melotel Proposal once, and if, it is approved by NAFG's creditors and duly sanctioned by the Superior Court of Justice in accordance with the *BIA*.

DATED at Toronto this 13th day of February, 2014.

"James D. Carnwath"

James D. Carnwath, Q.C.