Ontario	Commission des	22nd Floor	22e étage
Securities	valeurs mobilières	20 Queen Street West	20, rue queen ouest
Commission	de l'Ontario	Toronto ON M5H 3S8	Toronto ON M5H 3S8

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

- AND -

IN THE MATTER OF LOUIS MICHAEL KOVACS

STATEMENT OF ALLEGATIONS OF
STAFF OF THE ONTARIO SECURITIES COMMISSION

Staff of the Ontario Securities Commission ("Staff") allege the following:

I.   OVERVIEW

1.   Louis Michael Kovacs ("Kovacs") acted contrary to the public interest by facilitating trades in a normal course issuer bid (the "NCIB") of Harvest Canadian Income and Growth Fund ("HCF") by trading in a personal account and acted contrary to Ontario securities law by failing to file his insider trading reports in breach of subsection 107(1) of the *Securities* Act, R.S.O. 1990, c. S.5, as amended (the "Act").

II.   PARTICULARS OF ALLEGATIONS

A.   Background

2.   Kovacs is the President, CEO and a Director of Harvest Portfolio Group Inc. ("HPG"). He is registered in the following categories with HPG:

> (a)   Ultimate Designated Person

> (b)   Chief Compliance Officer

> (c)   Permitted Individual

3.   HPG is the Investment Fund Manager for a number of investment funds including HCF.

4.   HCF is a reporting issuer in Ontario. Kovacs is the Director and Officer of HCF and the trustee.

5.   From approximately May 31, 2010 to June 20, 2012, HCF was a closed-end investment fund with units listed on the Toronto Stock Exchange (the "TSX"). After June 20, 2012, it was converted into an open-ended mutual fund.

6.   From approximately May 31, 2010 to November 30, 2011 (the "Relevant Period"), HCF had warrants issued and outstanding for trading on the TSX where each warrant entitled the holder to purchase one HCF unit for $12.00 per unit. The warrants expired on November 30, 2011.

7.   A third party acted as the Portfolio Manager for HCF.

B.   Normal Course Issuer Bid

8.   In July, 2011, HPG announced that HCF intended to purchase up to 295,762 listed trust units of HCF and 299,007 warrants, which represented approximately 10% of the public float of HCF, for cancellation by way of the NCIB. The purchases pursuant to the NCIB were expected to commence on July 25, 2011 and to terminate on June 29, 2012 or such earlier date if HCF completed its purchases or provided notice of termination. The purpose of the NCIB for the units was to provide HCF with a mechanism to decrease the potential spread between the net asset value per unit and the market value of the trust units and to provide enhanced liquidity for the units. The purpose of the NCIB for the warrants was to provide HCF with a mechanism to decrease the dilution of the HCF's net asset value per unit upon the exercise of the warrants.

9.   HPG had the third party Portfolio Manager set up an account at Dundee Securities Limited ("Dundee") through which the trades for the NCIB were conducted.

10.   After the NCIB account was established at Dundee, HPG took over the responsibility of administering the NCIB directly from the third party Portfolio Manager sometime in 2010. In particular, Kovacs assumed sole responsibility of giving trade instructions to Dundee for the NCIB. He was the only person at HPG who gave trading instructions respecting the NCIB to the traders at Dundee responsible for the account.

C.   Kovacs' Personal Account

11.   During the Relevant Period, Kovacs held a trading account with RBC Direct Investing Inc. ("RBC-DI").   This was an order execution account in which Kovacs entered his own orders on-line which were automatically processed and routed to the TSX.

D.   TSX Rules and Policy respecting NCIBs

12.   According to TSX Sec. 629 Special Rules Applicable to NCIB and Policy 5.6, it is inappropriate for an issuer making an NCIB to abnormally influence the market price of its shares.   Therefore, purchases made by issuers pursuant to a NCIB must not be transacted at a price which is higher than the last independent trade of a board lot of the class of shares which is the subject of the NCIB.   An independent trade does not include a trade directly or indirectly for the account or under the direction of an insider of the issuer.   As a result, HCF could not make purchases through the NCIB at a price which was higher than the last independently established sale price.

E.   Kovacs Trading in RBC-DI and HCF Trading in the NCIB

13.   Between August, 2011 and November, 2011 ('the Analysis Period'), there were repeated occasions when Kovacs entered bids and purchased units of HCF in his RBC-DI account which may have facilitated the NCIB purchases through the execution of two identified scenarios:

Passive Facilitation Scenario:

(a)   Kovacs entered price-improving bids (usually one board lot) which narrowed the spread (particularly when there was no activity in the opening) which facilitated trading in general which was beneficial for the NCIB buying;

(b)   usually, within a short period of time, the NCIB buy orders entered the market and traded at the price level established through Kovacs' passive facilitation.

Active Facilitation

(a)   Kovacs transacted at a price at which the NCIB could buy volume from other offerors.   When a sell order with volume entered the market at a price which was higher than the last independent trade of a board lot, Kovacs purchased a board lot

from the new offer, thereby setting a new price at which the NCIB could trade but leaving volume;

(b)   Dundee then purchased for the NCIB the remaining order volume at the zero plus price set by Kovacs' trade.

14.   Kovacs did not disclose to Dundee his trading of HCF in his personal account at RBC-DI which facilitated the NCIB purchases.

15.   Kovacs did not disclose his insider status to RBC-DI. As such, any orders entered for his account were not correctly identified as insider.

16.   During the Relevant Time, Kovacs failed to file insider trading reports disclosing his trades as required by the Act.

17.   Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

Dated at Toronto, this 16th day of September, 2013