

CANADA

PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL

NO: 500-06-000932-182

(Class Action)  
SUPERIOR COURT

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**QING WANG**, domiciled at [REDACTED]  
[REDACTED]

Representative Plaintiff

-vs-

**C.S.T. CONSULTANTS INC.**, legal person having its head office at 2235 Sheppard Avenue East, Suite 1600, Toronto, Ontario, M2J 5B8

and

**CANADIAN SCHOLARSHIP TRUST FOUNDATION**, legal person having its head office at 2235 Sheppard Avenue East, Suite 1600, Toronto, Ontario, M2J 5B8

and

**KALEIDO FOUNDATION (personally and in continuance of proceedings for UNIVERSITAS FOUNDATION OF CANADA)**, legal person having its head office at 1035 Wilfrid-Pelletier Avenue, Suite 500, Quebec City, district of Quebec, G1W 0C5,

and

**KALEIDO GROWTH INC. (personally and in continuance of proceedings for UNIVERSITAS MANAGEMENT INC.)**, legal person having its head office at 1035 Wilfrid-Pelletier Avenue, Suite 500, Quebec City, district of Quebec, G1W 0C5

and

**HERITAGE EDUCATION FUNDS INC.**, legal person having its head office at 2005

Sheppard Avenue East, Suite 700, Toronto,  
Ontario, M2J 5B4

and

**HERITAGE EDUCATIONAL FOUNDATION**,  
legal person having its head office at 2005  
Sheppard Avenue East, Suite 700, Toronto,  
Ontario, M2J 5B4

and

**CHILDREN'S EDUCATION FUNDS INC.**,  
legal person having its head office at 3221  
North Service Road, Burlington, Ontario, L7N  
3G2

and

**CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA**, legal person having its  
head office at 3221 North Service Road,  
Burlington, Ontario, L7N 3G2

and

**KNOWLEDGE FIRST FINANCIAL INC.**  
**(personally and in continuance of**  
**proceedings for HERITAGE EDUCATION**  
**FUNDS INC.)**, legal person having its head  
office at 50 Burnhamthorpe Road West, Suite  
1000, Mississauga, Ontario, L5B 4A5

and

**KNOWLEDGE FIRST FOUNDATION**, legal  
person having its head office at 50  
Burnhamthorpe Road West, Suite 1000,  
Mississauga, Ontario, L5B 4A5

and

**GLOBAL RESP CORPORATION**, legal  
person having its head office at 100 Mural  
Street, Suite 201, Richmond Hill, Ontario, L4B  
1J3

and

**GLOBAL EDUCATIONAL TRUST FOUNDATION**, legal person having its head office at 100 Mural Street, Suite 201, Richmond Hill, Ontario, L4B 1J3

Defendants

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**ORIGINATING APPLICATION**  
(Articles 141 and 583 C.C.P.)

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**THE REPRESENTATIVE PLAINTIFF RESPECTFULLY STATES THE FOLLOWING:**

**I. INTRODUCTION**

1. By judgment rendered on March 31, 2021, as rectified on April 20, 2021, the Honourable Justice Martin F. Sheehan, J.S.C., authorized the Representative Plaintiff to bring a class action for the benefit of the persons forming part of the following groups:

<p><b>Class:</b></p> <p>All persons residing in Quebec who, at any time since July 19<sup>th</sup>, 2013, signed a contract with any of the Defendants in which they were a subscriber and/or contributor (either primary or joint) for a Registered Education Savings Plan (“<b>RESP</b>”), and who were charged a fee (referred to as “<b>Enrolment Fee</b>”, “<b>Sales Charge</b>” and/or “<b>Membership Fee</b>”), including the commissions of the distributor and its salesmen, exceeding \$200.00 per plan;</p> <p>(hereinafter referred to as the “<b>Class</b>”)</p>	<p><b>Groupe :</b></p> <p>Toutes les personnes résidant au Québec qui, à tout moment depuis le 19 juillet 2013, ont signé un contrat avec l’une des défenderesses dans lequel elles étaient souscripteurs et/ou contributeurs (principal ou conjoint) pour un Régime enregistré d’épargne-études (« <b>REÉÉ</b> »), et qui ont été facturées des frais (appelés « <b>frais de vente</b> », « <b>frais de souscription</b> » et/ou « <b>frais d’adhésion</b> »), y compris les commissions du distributeur et des vendeurs, dépassant 200,00 \$ par plan;</p> <p>(ci-après nommé le « <b>Groupe</b> »)</p>
<p><b>Subclass:</b></p> <p>All persons residing in Quebec: (1) who at any time since July 19<sup>th</sup>, 2013, signed a contract with any of the Defendants in which they were a subscriber and/or contributor (either primary or joint) for an RESP; (2)</p>	<p><b>Sous-groupe :</b></p> <p>Toutes les personnes résidant au Québec : (1) qui, à tout moment depuis le 19 juillet 2013, ont signé un contrat avec l’une des défenderesses dans lequel elles étaient souscripteurs et/ou contributeurs (principal</p>

who cancelled their RESP after that date; and (3) lost more than 20% of their contributions on account of Enrolment Fees, Sales Charges or Membership Fees;  (hereinafter referred to as the “ <b>Subclass</b> ”)	ou conjoint) pour un REÉÉ; (2) qui a annulé son REÉÉ après cette date; et (3) a perdu plus de 20 % de ses cotisations en raison des frais de vente, des frais de souscription ou des frais d'adhésion;  (ci-après nommé le « <b>Sous-groupe</b> »)
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2. The Court appointed the status of Representative Plaintiff to Mr. Qing Wang and identified the principal questions of fact and law to be treated collectively in the class action as follows:

English:

- a. Did Defendants fail to comply with their undertakings in their respective prospectuses to respect *Regulation No. 15*?
- b. If so, must Defendants reimburse Class members the Enrolment Fees charged above \$200.00 per plan (in violation of subsection 1.1 (7) of *Regulation No. 15*)?
- c. Is the clause providing for Enrolment Fees in excess of \$200.00 per plan abusive under article 1437 CCQ and, if so, what is the appropriate remedy?
- d. When does prescription start for Class and Subclass members and was prescription interrupted by the filing of Mr. Segalovich’s claim?
- e. Is the forfeiture of sales charges representing an amount of 20% or more of the Subclass members’ total contributions abusive, and, if so, should the clause allowing such sales charges be declared null and without effect?

French:

- a. Les défenderesses ont-elles fait défaut de respecter leur engagement dans leurs prospectus respectifs de se conformer au *Règlement N°15* ?
- b. Dans l'affirmative, les défenderesses doivent-elles rembourser aux membres du Groupe les frais d'adhésion facturés au-dessus de 200,00 \$ par plan (en violation du paragraphe 1.1 (7) du *Règlement N°15*) ?
- c. La clause prévoyant des frais d'adhésion supérieurs à 200,00 \$ par régime est-elle abusive en vertu de l'article 1437 C.c.Q. et le cas échéant, quel est le recours approprié ?
- d. Quand la prescription commence-t-elle pour les membres du Groupe et du Sous-groupe et celle-ci a-t-elle été interrompue par le dépôt de la demande de M. Segalovich ?

- e. La confiscation des frais de vente représentant un montant de 20 % ou plus du total des contributions des membres du Sous-groupe est-elle abusive et si tel est le cas, la clause autorisant ces frais de vente devrait-elle être déclarée nulle et sans effet ?

## **II. THE PARTIES**

3. The Representative Plaintiff is a consumer within the meaning of the Civil Code;
4. The Defendants engage in the business of distributing, promoting and the sponsoring of group RESP and/or scholarship plans (“**Group Plan(s)**”). More detailed allegations concerning each of the Defendants and the faults they are accused of are described in the section VI below titled “The Defendants and their violations”;
5. For clarity and accuracy, it is worth noting here that as of the month of March 2020, the Defendant Global RESP Corporation surrendered its registration as a scholarship plan dealer and no longer distributes RESPs (see paragraphs 101 to 109 below for specific allegations concerning this Defendant);
6. It is also worth noting, at the outset, that on September 18, 2020 – i.e. several months after surrendering its scholarship plan dealer registration to the Ontario Securities Commission (“**OSC**”) – the Defendants Global RESP Corporation and Global Educations Trust Foundation (hereinafter “**Global**”) filed their “*Application of Global RESP Corporation and Global Educations Trust Foundation for Leave to Adduce Relevant Evidence*” and did not inform the Court of this important development, despite several allegations in the Amended Authorization Application to the effect that Global “*market, distribute and sell Group Plans to Subscribers*”;
7. At the authorization hearing held on March 10, 2021, the Defendants collectively (including Global) argued that the fact that all of their prospectuses were receipted by the regulators basically meant that they can commit no harm;

## **III. BRIEF OVERVIEW ON RESPS**

8. A “RESP” is a contract, between an individual (the “**Subscriber**”) and a person or organization (the “**Promoter**” and/or “**Distributor**”), for an education savings account that is registered with the Government of Canada, as it appears from a publication by the Canada Revenue Agency titled *Registered Education Savings Plans* disclosed as **Exhibit P-1**;
9. The Canada Revenue Agency registers the education savings plan contract as a RESP, and lifetime limits are set by Canada’s *Income Tax Act* on the amount that can be contributed for each beneficiary;
10. Under the RESP contract, the Subscriber names one or more beneficiaries (the future student(s)) and agrees to make contributions for them, and the Promoter agrees to pay educational assistance payments (“**EAPs**”) to the beneficiaries when

it comes time to pay for the post-secondary education of the beneficiaries;

11. Canadians can contribute up to \$50,000.00 per child into a RESP and the federal government, as well as some provincial governments will match a certain percentage of the amounts contributed;
12. Anyone can contribute into a RESP for any child (it does not have to be the child's parent necessarily);
13. Children who are beneficiaries of a RESP account will receive the Canada Education Savings Grant ("**CESG**"), which is money that the federal Government adds to the child's RESP to help their savings grow;
14. The basic CESG provides 20% on every dollar contributed, up to a maximum of \$500.00 on an annual contribution of \$2,500, or up to the first \$5,000.00 in contributions, if sufficient carry forward room exists;
15. Depending on the child's primary caregiver's net family income, he/she may also be eligible to receive the Additional Canada Education Savings Grant (A-CESG), which adds an additional 10 % or 20 % to the first \$500.00 put into the RESP each year;
16. This CESG is available until the end of the calendar year in which a child turns 17;
17. Lower income families are also eligible to receive the Canadian Learning Bond ("**CLB**"), which is \$500.00 offered by the Government of Canada to help and to encourage saving for a child's post-secondary education (the child could also receive \$100.00 per year in CLB until the child turns 15, up to a maximum of \$2,000.00);
18. In addition to the CESG and CLB, Quebec, Saskatchewan, British Columbia and Alberta have education savings incentives whereby the provincial governments will also add money to a RESP;
19. The Quebec Education Savings Incentive ("**QESI**") was established in 2007 to encourage Quebec families to save more for the post-secondary education of their children and grandchildren, beginning in their infancy;
20. The QESI is a refundable tax credit that is paid directly by the province of Quebec into a RESP;
21. The basic QESI provides 10% on every dollar contributed, up to a maximum of \$250.00 on an annual contribution of \$2,500.00 (as of 2008, any rights accumulated during previous years can be added to the basic amount, up to \$250.00 per year, but could never exceed \$500.00 per year);

#### **IV. GROUP PLAN RESPS**

22. There are two types of RESP promoters: (i) financial institutions such as banks, credit unions and investment firms; and (ii) Group Plan scholarship providers;
23. This class action concerns the illegal and abusive nature of the enrollment fees charged by Group Plan scholarship providers, since financial institutions do not charge front-ended enrollment fees as the Defendants do;
24. The Defendants distribute, promote and sponsor Group Plan RESPs;
25. Group Plan RESPs are a collection of individual contracts administered for a group of beneficiaries born in the same year;
26. As Group Plan “**Promoters**”, Defendants C.S.T. Consultants Inc., Heritage Education Funds Inc. (on September 7, 2018, counsel for this Defendant informed the Court that on August 28, 2018, Heritage Education Funds Inc. and Knowledge First Financial Inc. merged into Knowledge First Financial Inc. and that the latter - already named as a Defendant herein - continues the proceedings in place of the former), Kaleido Growth Inc. (in continuance of proceedings for Universitas Management Inc.), Children’s Education Funds Inc., Knowledge First Financial Inc. and Global RESP Corporation (until it lost its license) respectively market, distribute and sell Group Plans to “**Subscribers**”;
27. As Group Plan “**Sponsors**”, Defendants Canadian Scholarship Trust Foundation, Heritage Educational Foundation, Kaleido Foundation (in continuance of proceedings for Universitas Foundation of Canada), Children’s Educational Foundation of Canada, Knowledge First Foundation and Global Educational Trust Foundation enter into their respective education savings plan agreements with Subscribers and provide governance oversight by supervising the administration of their respective plans;
28. The Defendants operate their respective Group Plans by pooling the individual contributions of each Subscriber with those of other contributors/Subscribers;
29. The Defendants generate an important part of their revenue by charging Class members front-ended “**Sales Charges**” (previously referred to in some prospectuses as “**Enrolment Fees**” and/or “**Membership Fees**”) based on the number of “**Units**” purchased by Subscribers (hereinafter the “**Fees**” or “**Sales Charges**”);
30. A Unit is a share of income available for distribution at maturity (i.e. when the beneficiary can first enroll in a post-secondary program, typically in the year that he/she turns 18);
31. Subscribers to the Defendants’ Group Plans can sign up for one or more Units;
32. The Unit is the basis for contribution schedules, Sales Charges, Enrolment Fees

and/or Membership Fees, as well as for the distribution of investment income;

33. At maturity, investment income is transferred to a separate pool of funds to be distributed across all Units held by qualifying beneficiaries within the same cohort;
34. In a pooled Group Plan, the interest that is left behind from cancelled RESPs, plus a portion of the Sales Charges from cancelled plans, gets paid out with the matured plans (this excess interest and sales charges is also called “attrition”);
35. Imposing Sales Charges by “Unit” can often cost Subscribers upwards of **several thousand dollars per plan**. For example, the Representative Plaintiff was charged Enrolment Fees / Sales Charges of **\$6,525.20** for one child and **\$5,194.80** for the other (as detailed herein below at section VII titled “The Representative Plaintiff’s personal experience”);
36. These Sales Charges are paid in addition to other fees which the Defendants generate through the RESPs they sell and the funds they manage;
37. Indeed, the Defendants also generate substantial income on the funds contributed by Class and Subclass members on account of Management Fees, which include Administration Fees, Trustee and Custodian Fees and Portfolio management fees, which is notably a percentage charged each year on the total amount of contributions, government grants and interest earned on those amounts. This represents significant income for the Defendants who manage more than **\$15 billion** combined. For instance, if the amount of the Management Fees is 0.62% per year, this translates into the following additional annual revenues:

<b>Defendants</b>	<b>Assets Under Management</b>	<b>Management Fee (annually)</b>
Knowledge First (including Heritage) Defendants	\$7 billion	\$43,400,000.00
CST Defendants	\$5.3 billion	\$32,860,000.00
Kaleido Defendants	\$1.7 billion	\$10,540,000.00
Children’s Defendants	\$1 billion	\$6,200,000.00
Global Defendants	\$0.70 billion	\$4,340,000.00
<b>TOTALS:</b>	<b>\$15.7 billion</b>	<b>\$97,340,000.00</b>

## **V. THE ISSUES AND CAUSES OF ACTION**

38. There are two causes of action; the first concerns all Class members and, subsidiarily, the second concerns all Subclass members. They are as follows:
  - i) **The Enrolment Fees charged by the Defendants in excess of \$200 per plan are illegal pursuant to subsection 1.1(7) of Regulation 15 which the Defendants undertook to comply with**
39. Subsection 1.1 (7) of *Regulation no. 15 Respecting Conditions Precedent to*



*Acceptance of Scholarship or Educational Plan Prospectuses*, c. V-1.1, r. 44, s. 331.1, which came into force in Quebec on September 19<sup>th</sup>, 2005 (hereinafter “**Regulation 15**”, “**Regulation no. 15**” or “**National Policy 15**”), provides:

<p>1.1. The sale of contracts or plans commonly referred to as “scholarship plans” or “scholarship agreements” must be subject to the following conditions before the prospectus will be acceptable for filing:</p> <p>[...]</p> <p>(7) The fees charged, including the commissions of the distributor and its salesmen, <b>must not exceed \$200 per plan</b>. The first \$100 paid under the plan may be applied against this fee and the balance may be deducted at a maximum rate of 50% of each of the further contributions.</p>	<p>1.1. La vente de contrats ou plans communément appelés « plans de bourses d’études » doit satisfaire aux conditions suivantes avant que le prospectus ne puisse être jugé acceptable par l’administrateur (l’Autorité des marchés financiers) :</p> <p>[...]</p> <p>(7) Les frais d’adhésion, y compris la commission du distributeur et du vendeur, <b>ne doivent pas excéder 200 \$ par plan</b>. Le premier 100 \$ versé pourra servir en entier au paiement des frais d’adhésion, et le solde pourra être pris à raison d’au plus 50% de chacune des contributions ultérieures.</p>
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46. In their respective prospectuses, which is one of the documents provided by the Defendants’ (or their agents) to Class members when they open a RESP, each of the Defendants undertakes to comply with *Regulation 15*. This was done year after year during the Class Period. However, the Defendants do not comply with their undertakings as the Sales Charges, Enrolment Fees and/or Membership Fees charged to Class members by the Defendants, including the commissions of the Distributor and its salesmen, exceed \$200.00 per plan;
47. During the authorization hearing in Mr. Segalovich’s class action (S.C.M. no 500-06-000803-169), the Defendants argued that *Regulation 15* is no longer applicable and had been “swept away” (*Segalovich c. CST Consultants Inc. (CSTI)*, 2018 QCCS 6122, para. 15), which contradicts the statements made by the Defendants in their respective prospectuses that *Regulation 15* is complied with (because they charge \$200.00 per *unit* and not \$200.00 per *plan*);
48. *Regulation 15* was never repealed and is still in force. Additionally, the Defendants still declare in each of their respective prospectuses that they comply with *Regulation 15*. As such, the Enrolment Fees or Sales Charges charged by the Defendants in excess of \$200.00 per plan are illegal pursuant to subsection 1.1(7) of *Regulation 15* and in violation of the Defendants’ own undertakings;

**ii) Subsidiarily, the amount of Sales Charges forfeited in proportion to the total contributions made to a RESP is abusive (art. 1437 C.C.Q.) and this abuse can only be analyzed at the time of cancellation**

49. Unlike financial institutions, the Defendants charge Class members front-ended Sales Charges, Enrolment Fees and/or Membership Fees (referred to herein collectively as “**Sales Charges**” for ease of reading);
50. Sales Charges can often cost Subscribers thousand of dollars per plan (Mr. Wang paid \$6,525.20 for one RESP and \$5,194.80 for the other);
51. In addition, and subsidiarily to the first cause of action, it is submitted that the Sales Charges charged by the Defendants are also abusive under 1437 C.C.Q. (ranging from several hundred to several thousand dollars per plan). The reason that they are abusive is because when Subclass members cancel early into the life of the RESP, the Sales Charges represent a forfeiture of as much as 100% of their contributions;
52. It is therefore apparent that the Sales Charges (or “forfeiture”) will depend on the time of the last payment and will vary from **100% in the first 11 months to around 10% at the end of a 17-year term**. The Defendants admit that this is the case at the following pages of their respective prospectuses (the situation is the same throughout the Subclass period and until present):

<b>Defendant</b>	<b>Prospectus</b>	<b>Page</b>
CST Defendants	<b>Exhibit P-2</b>	p. 21 (or 25-PDF)
Heritage Defendants	<b>Exhibit P-3</b>	p. 23 (or 28-PDF)
Kaleido / Universitas Defendants	<b>Exhibit P-4</b>	p. 28 (or 27-PDF)
Children’s Defendants	<b>Exhibit P-5</b>	p. 37 (or 41-PDF)
Global Defendants	<b>Exhibit P-6</b>	p. 27
Knowledge First Defendants	<b>Exhibit P-7</b>	p. 18

53. The Representative Plaintiff submits that the clause allowing for Sales Charges ranging from 100% to 20% (and perhaps less depending on the Defendants’ costs) of total contributions made to a RESP is excessive, grossly disproportionate and an abusive clause within the meaning of article 1437 C.C.Q.;
54. The Sales Charges and fees charged by the Defendants are not regulated or fixed by any law or regulation. At the authorization hearing, the Defendants tried to argue that Form 41-101F3, which came into force on May 31, 2013, allows them to charge \$200.00 per unit (and thus charge significantly higher than \$200.00 per plan), which the Court did not agree with and noted that “*A contractual clause may very well be legal but nonetheless be considered abusive. In fact, there would be no need to refer to the abusive nature of a clause to annul it if it were already illegal for other reasons. Thus, abusive clauses are nearly always legal*” (para. 102);

55. Examples are not laws. The only things that Form 41-101F3 mentions concerning Sales Charges is the following hypothetical **example** in the context of a calculation:
- ... For example, if a scholarship plan calculates its sales charge as \$200/unit, and the total cost per unit for a subscriber can range from \$1000 to \$5000 (based on the different options available to subscribers), the percentage range of the sales charge disclosed in the table would be 4% (200/5000) to 20% (200/1000) ...
56. First, a regulator does not regulate implicitly by way of examples. If *Regulation 15* did not apply voluntarily, then there would be no regulation that regulates fees and certainly an example in a calculation is not a norm creating rights or obligations. Since there is no specific norm, we must revert to the general rules of the *Civil Code*, specifically article 1437 that prohibits abusive clauses;
57. Second, the purpose of Form 41-101F3 was not to regulate or change the rules concerning fees or to “sweep away” *Regulation 15*. According to the Ontario Securities Commission, the purpose of Form 41-101F3 was to provide “investors with more meaningful and effective prospectus disclosure”, as it appears from **Exhibit P-8**;
58. Third, according to Queen’s University Law Professor / Associate Dean and RESP specialist Gail E. Henderson, Defendants C.S.T., Heritage, Children’s and Knowledge First still fail to comply with all of the disclosure requirements of Form 41-101F3, as it appears from the article titled “*Group RESPs: The Intersection of Government Support for Education Savings and Securities Regulation*” disclosed as **Exhibit P-9** (see pages 74 and 75-PDF);
59. The fact that authorities in Quebec regulated that the fees charged for the sale of RESPs (i.e. contracts or plans commonly referred to as “scholarship plans” or “scholarship agreements”) including the commissions of the distributor and its salesmen, must not exceed \$200.00 per plan, indicates that a clause providing for charges above \$200.00 per plan is excessive and unreasonably detrimental to the consumer and/or the adhering party and is thus an abusive clause. Form 41-101F3 certainly does not supersede article 1437 C.C.Q.;
60. In August 2008, a report was prepared for Human Resources and Social Development Canada (renamed the Department of Employment and Social Development Canada in 2013), titled *Review of Registered Education Savings Plan Industry Practices* (hereinafter the “**HRSDC Report**”), for the purpose of identifying policies, practices and contractual arrangements that may impede, deter or harm an individual’s ability to save and access funds for a child’s post-secondary education, as is appears from the HRSDC Report disclosed as **Exhibit P-10**;
61. The HRSDC Report, Exhibit P-10, sheds light on the characteristics of Group Plan

RESPs, which it likens to a “tontine” (see pages 12-13 of the Report):

62. The HRSDC Report also provides an overview of the practices of Group Plan RESP providers, which can be summarized as follows (page 20):

### **Organisational structure**

Scholarship plans are provided by foundations or trusts, i.e., not-for-profit corporations without share capital. The foundation or trust is the “manager” of the group plan. The “distributor” of the plan is a for-profit operating company that markets the plan, and to which the administration of the plan is delegated. At all five group scholarship providers, the distributor is closely linked to the trust. In three cases, the trust owns the distributor...

### **Marketing**

Group scholarship providers market their products proactively in a variety of ways. While advertising through the major media and newspapers is generally considered too expensive, group scholarship providers do market in a myriad of other ways including: participation in trade shows; exhibits and kiosks in malls and shopping centres; contests for a free RESP; placing flyers in doctors’ offices; or through advertisements in community newspapers – all targeting families with young children. All providers have web sites. Flyers and prospectuses can be downloaded from some sites; some providers only mail prospectuses. One plan comes with Air Miles.

Many contacts are made by referrals or word of mouth. Sales representatives tend to ask clients if neighbours or friends might be interested. **Ultimately, group scholarship providers sell their product by offering to come to the home** of a potential client to provide one or more information sessions...

### **The sales force**

Group plans are marketed by **sales representatives who are paid a commission per new plan**. Sales representatives tend to be self-employed and are supervised by a manager at the group scholarship trust. The representatives are licensed by the provincial regulatory authorities. They receive training, typically of about one-week in duration, by the Trust. In recent years, provincial securities regulators have imposed training requirements and set limits on the number of sales representatives per manager. In Quebec, sales representatives are required to take ongoing training in order

to keep their professional licence.

### **Presentation to the client**

Generally, the sales people present the key features of their plan and promote it on the basis of advantageous tax treatment and subsidies as well as the enhancements of returns group plans provide. How the particular risks attached to group plans are presented is less clear. Prospectuses provide some information about risks and gains as a result of requirements imposed by provincial regulators. “Know Your Client (KYC)” forms are filled out as required by regulators, and some providers have established guidelines for the amount of contributions in relation to income customers can sign up for.

As required by provincial securities regulations, customers have the right to walk away from their new RESP during the 60 days after signing, with full return of contributions and enrolment fees but not the small insurance fee.

The RESP Dealers Association of Canada (RESPDAC) has adopted a code of sales practices which urges fair dealing and balanced representation. Transfer out of a group plan is specifically addressed: Members agree to discourage subscribers from transferring out of a group plan after 60 days **because they would have no claim on accrued interest and the enrolment fee they paid.** The code stipulates that subscribers who want to transfer to another provider should acknowledge that they have been advised of these financial implications by filling out a Plan Transfer Disclosure Form.

## **VI. THE DEFENDANTS AND THEIR VIOLATIONS:**

63. The Defendants continue to exercise their commercial activities across the province of Quebec in violation of subsection 1.1 (7) of *Regulation 15*, despite specifically undertaking to comply with this regulation;
64. Since the coming into force of *Regulation 15* on September 19, 2005, each Defendant – year after year – has filed their respective prospectuses (for the sale of contracts or plans commonly referred to as “scholarship plans” or “scholarship agreements”) with an undertaking to comply with *Regulation 15*, but failed to comply with subsection 1.1(7). Notably, the Enrolment Fees charged by the Defendants are in excess of \$200.00 per plan;
65. The Defendants operate their respective enterprises (as defined in third paragraph of article 1525 CCQ) and engage in the carrying on of an organized economic activity, commercial in nature, consisting of providing the service of promoting,

distributing and sponsoring Group Plan RESPs;

66. All of the Defendants' application forms, contracts and prospectuses contain clauses providing that Class members will be charged fees on a per unit basis (which ultimately far exceeds the allowable maximum of \$200.00 per plan);
67. In each of their prospectuses during the Class Period, all of the Defendants undertake to comply with and respect *Regulation 15* (also referred to in their prospectuses as "*National Policy 15*", "*Regulation No. C-15*", "*NPS-15*" and "*General Instruction C-15*");
68. As for the cause of action concerning the abusive nature of the Fee upon termination, each of the Defendants cause Subclass members to forfeit Sales Charges in an amount of as much as 100% of their contributions (if they cancel between 2 and 11 months after opening the RESP). For all Defendants, the forfeiture amounts are similar and vary in time between 10% to 100%;

**1) C.S.T. Defendants:**

69. The Defendant **C.S.T. Consultants Inc.** ("**CSTC**"), a wholly-owned subsidiary of Defendant Canadian Scholarship Trust Foundation, is incorporated under the laws of Canada, having its head office in Toronto, Ontario;
70. The Defendant **CSTC** commenced operations in 1988 as the exclusive Distributor of CST's Plans. CSTC claims that it additionally provides administration services to the Foundation and the Plans. In 2010, CSTC was appointed investment fund manager of the Plans and claims that it carries out the overall management and administration of the Plans;
71. The Defendant **Canadian Scholarship Trust Foundation** claims to be a not-for-profit organization constituted under the law of Canada. It sponsors and provides governance and oversight over the Plans (including the CST Advantage Plan, the *Group Savings Plan 2001* and the *Group Savings Plan*). In its role as plan Sponsor and provider of governance and oversight in respect of the Plans, the CST Foundation supervises and performs specific functions, including entering into the education savings plan agreements with the Subscribers;
72. The CST Defendants' 2015 prospectus (dated October 21<sup>st</sup>, 2015) contains the following undertaking, as it appears from **Exhibit P-11** (see pages 10 and 13):

The investment of your Contributions, Grants and the Income earned on them must comply with restrictions contained in the *Income Tax Act* (Canada) and the administrative policies of the Canadian Securities Administrators. **The Plans are managed in accordance with the investment restrictions set out in National Policy Statement No. 15 Conditions Precedent to Acceptance of Scholarship or Educational Plan**

**Prospectuses** as modified by the undertaking to the Ontario Securities Commission and every other securities regulatory authority in the provinces and territories of Canada where the Plans are managed and distributed to the public. The undertaking is incorporated by reference into this prospectus and is available for review on our website [www.cst.org](http://www.cst.org) or the SEDAR website [www.sedar.com](http://www.sedar.com).

[...]

**The Plans are managed in accordance with the investment restrictions set out in National Policy Statement No. 15 Conditions Precedent to Acceptance of Scholarship or Educational Plan Prospectuses** and the administrative policies of the Canadian Securities Administrators.

73. C.S.T.'s prospectus, Exhibit P-11, sets out the Sales Charges at page 21, which clearly contradicts C.S.T.'s undertaking to comply with *Regulation 15*;
74. Defendants C.S.T. Consultants Inc. and Canadian Scholarship Trust Foundation confirm at page 21 of their prospectus, Exhibit P-11, that the fee of **\$200.00 per unit** charged to Class members "**is for paying commissions to your sales representative, and covering the costs of selling your plan**", and this in violation of *Regulation 15*;
75. The Defendants C.S.T. Consultants Inc. and Canadian Scholarship Trust Foundation further state that: "*All of your first 11 Contributions go toward the sales charges until half of the sales charges are paid off. Half of your next 21 Contributions go toward the sales charges until they are fully paid off. Altogether, it will take 32 months to pay off the sales charges. During this time, 34% of your Contributions will be invested in your plan*";

## **2) Kaleido (Universitas) Defendants**

76. The Defendant **Kaleido Growth Inc.** (previously **Universitas Management Inc.**), is a joint stock company governed by the *Quebec Business Corporations Act*. It acts as the investment fund manager and plan Distributor. Kaleido Growth Inc. is a wholly-owned subsidiary of Defendant Kaleido Foundation. Kaleido Growth Inc. is registered as an investment fund manager and scholarship plan dealer pursuant to the *Quebec Securities Act*;
77. The Defendant **Kaleido Foundation** (previously **Universitas Foundation of Canada**) claims to be a not-for-profit organization constituted under the laws of the province of Quebec. The Foundation is the Sponsor of the Kaleido Plans (including the REFLEX, Universitas and REEFLEX plans) and oversees the administration and management of each plan sold by Kaleido Growth Inc.;

78. Both Defendants Kaleido Growth Inc. and Kaleido Foundation have their head offices in Quebec City, Quebec;
79. The Kaleido/Universitas Defendants refer to *Regulation 15* at pages 16 and 57 of their 2015 prospectus, dated November 30<sup>th</sup>, 2015 (Exhibit P-4):

Decision No. 2001-C-0383 issued in 2001 by the Quebec Securities Commission (now the *Autorité des marchés financiers*) allows the REFLEX and INDIVIDUAL Plans to modify certain restrictions on investments provided for under *Regulation No. C-15 Respecting Conditions Precedent to Acceptance of Scholarship or Educational Plan Prospectuses*. The changes thus authorized specifically target the ability to invest up to 100% of accumulated income (i.e., the Other Funds) in Canadian equities, subject to compliance with the investment policies and objectives.

[...]

#### **EXEMPTION AND APPROVAL UNDER SECURITIES LAWS**

In 2001, pursuant to Decision No. 2001-C-0383 of the *Autorité des marchés financiers* (previously the Quebec Securities Commission), **the Foundation obtained an exemption from application of Article 4 of the *General Instruction C-15 – Conditions Precedent to Acceptance of the prospectus of university educational plan foundations*** in order to allow the Foundation to invest the assets in its account in shares of common stock in companies. For more details on the investment terms and conditions stipulated in Decision No. 2001-C-0383, see the “Investment Objectives, Strategies and Restrictions” section.

80. In its 2015 prospectus, Exhibit P-4, Kaleido/Universitas refers to Decision No. 2001-C-0383. This decision only provided Universitas with an exemption from article 4 of *Regulation 15* and an ordinary reading of this paragraph confirms that all other articles of *Regulation 15* continue to apply in all other aspects (including article 7 concerning the maximum allowable enrolment fees);
81. The Defendants Kaleido Growth Inc. and Kaleido Foundation fail to comply with their undertaking to respect *Regulation 15*, as it appears from the “Reflex Plan” section of their prospectus, Exhibit P-4 (see page 28 of prospectus);
82. Under the heading “What you pay”, Defendants Universitas Management Inc. and Universitas Foundation of Canada state that their Sales charges are a “**Flat fee of \$200 per whole unit**”, and this in violation of *Regulation no. 15*. On the same page (p. 27-PDF), Kaleido/Universitas states that “...if you subscribe to a REFLEX Plan



*unit for a newborn and opted for monthly contributions until the maturity date, 100% of your initial contributions are used to pay off up to 50% of the sales charges; 50% of the following contributions are used to pay the sales charges until payment in full. In total, it will take 27 months to pay off the sales charges. During that period, 66% of your contributions will be used to pay sales charges and 34% will be invested in your plan”;*

### **3) Knowledge First Defendants**

83. The Defendant **Knowledge First Financial Inc.** (formerly USC Education Savings Plans Inc.) incorporated under the laws of Canada, is the principal Distributor of Knowledge First’s Educational Savings Plans (including the “**Family Group Education Savings Plan**” and formerly the “USC Family Group Education Savings Plan”), with its head office in Mississauga, Ontario;
84. The Defendant **Knowledge First Foundation** (formerly the International Scholarship Foundation) claims to be a not-for-profit corporation incorporated under the laws of Canada, having its head office in Mississauga, Ontario. The Foundation sponsors and promotes the Knowledge First’s Educational Savings Plans (including the Family Group Education Savings Plan and formerly the USC Family Group Education Savings Plan) and has overall responsibility for the Plans including overseeing the investment of all Plan assets;
85. The Knowledge First Defendants’ 2015 prospectus (dated August 26<sup>th</sup>, 2015) contains the following undertaking (Exhibit P-7):

#### **INVESTMENT RESTRICTIONS**

**We follow the restrictions and practices in CSA National Policy No. 15, except where we have been given permission otherwise by the CSA,** as described below, or by virtue of prospectus receipt in prior years. Changes to the investment restrictions require approval of the CSA.

86. The Defendants Knowledge First Financial Inc. and Knowledge First Foundation unlawfully exercise their commercial activities by failing to comply with their undertaking to respect *Regulation 15*;
87. Under the heading “What you pay” (page 32 of Exhibit P-7), the Defendants Knowledge First Financial Inc. and Knowledge First Foundation state that their Sales Charge is \$100 per unit, and this in violation of *Regulation 15*;
88. Under the heading “Paying off the sales charge” (page 32 of Exhibit P-7), the Defendants Knowledge First Financial Inc. and Knowledge First Foundation state that “*All of your first 10 contributions go toward the sales charge until half of the sales charge is paid off. Then after that half of your next 21 contributions go toward the sales charge until it’s fully paid off. In this example, altogether, it will take you 31 months to pay off the sales charge. During this initial period, 67% of your*

*contributions will be used to pay the sales charge and 33% of your contributions will be invested in your plan”, in violation of Regulation 15;*

#### **4) Children’s Education Defendants**

89. The Defendant **Children’s Education Funds Inc.**, wholly owned by Children’s Financial Group Inc., is incorporated under the laws of Ontario, with its head office in Burlington, Ontario. Children’s Education Funds Inc. is the scholarship plan dealer and investment fund manager of the Children’s Education Funds Plans, commencing its operations in 1991 as the exclusive Distributor of the Children’s Education Funds Plans. Additionally, it claims to provide administration services to the Foundation and the Plans;
90. The Defendant **Children Educational Foundation of Canada** claims to be a non-profit corporation without share capital incorporated by Letters Patent under the laws of Canada in 1990, and is the Sponsor of the Children’s Educational Plans;
91. The Children Defendants’ 2015 prospectus (dated November 12<sup>th</sup>, 2015) contains the following undertaking (Exhibit P-5, see pages 1 and 10):

The Plans are **managed in accordance with the investment restrictions set out in National Policy Statement No. 15 – Conditions Precedent to Acceptance of Scholarship or Educational Plan Prospectuses** and the administrative policies of the Canadian Securities Administrators...

[...]

#### **Investment Restrictions**

The investment of your net Contributions, Government Grants and the Income earned on them must comply with the restrictions contained in the *Income Tax Act* (Canada) and the administrative policies of the Canadian Securities Administrators. **The Plans will be managed in accordance with the investment restrictions set out in National Policy Statement No. 15 – Conditions Precedent to Acceptance of Scholarship or Educational Plan Prospectuses** as modified by the undertaking to the Ontario Securities Commission and every other securities regulatory authority in the provinces and territories of Canada where the Plans are managed and distributed to the public. We have agreed to the undertaking which is incorporated by reference into this prospectus and is available for review on our website at [www.cefi.ca](http://www.cefi.ca) or the SEDAR website at [www.sedar.com](http://www.sedar.com).

92. The Defendants Children’s Education Funds Inc. and Children Educational Foundation of Canada unlawfully exercise their commercial activities by failing to

comply with their undertaking to respect *Regulation 15*;

93. Under the heading “Fees You Pay” (Exhibit P-5 at page 21), Defendants Children’s Education Funds Inc. and Children Educational Foundation state that their Sales Charge is “**\$200.00 per Unit**”, and this in violation of *Regulation 15*;
94. Under the heading “Paying Off the Sales Charge”, Defendants Children’s Education Funds Inc. and Children Educational Foundation of Canada further state that “*All of your first 11 Contributions go toward the sales charge until half of the sales charge is paid off*”, and this also in violation of *Regulation 15*;

### **5) Heritage Defendants**

95. The Defendant **Heritage Education Funds Inc.** is a scholarship plan dealer (Distributor) incorporated under the *Canada Business Corporations Act*, having its head office in Toronto, Ontario;
96. The Defendant **Heritage Educational Foundation** claims to be a not-for-profit corporation incorporated under the *Canada Corporations Act*, having its head office in Toronto, Ontario. According to its prospectus, Heritage Educational Foundation is the Sponsor of the Heritage Plans and administers assets that exceed \$2.43 billion;
97. The Heritage Defendants’ 2015 prospectus (dated August 7<sup>th</sup>, 2015) contains the following undertaking (Exhibit P-3, see pages 1 and 21):

The plan is managed in **accordance with the investment restrictions set out in the National Policy 15 Conditions Precedent to Acceptance of Scholarship or Educational Plan Prospectuses**, the administrative policies of the Canadian Securities Administrators and the undertaking.

[...]

### **Investment Restrictions**

Your contributions less sales charges and fees, government grants and income earned in your plan will be invested according to restrictions contained in the *Income Tax Act* (Canada) and the administrative policies of the Canadian Securities Administrators. **The plan is managed in accordance with the investment restrictions set out in National Policy 15 Conditions Precedent to Acceptance of Scholarship or Educational Plan Prospectuses** as modified by the undertaking.

98. The Defendants Heritage Education Funds Inc. and Heritage Educational Foundation also unlawfully exercise their commercial activities by failing to comply

with their undertaking to respect *Regulation 15*, as it appears from the “Heritage Plans” section at page 23 of the prospectus, Exhibit P-3;

99. Under the heading “Fees You Pay”, Defendants Heritage Education Funds Inc. and Heritage Educational Foundation state that there is a charge of \$100 per unit, which contradicts their undertaking to comply with *Regulation 15*;
100. Under the heading “Paying Off the Sales Charges”, Defendants Heritage Education Funds Inc. and Heritage Educational Foundation state that “*All of your first ten and part of your 11<sup>th</sup> contribution go toward the sales charge until half of the sales charge is paid off*”, also in violation of *Regulation 15*;

## **6) Global Defendants**

101. The Defendant **Global RESP Corporation**, incorporated under the laws of Canada and, up until March 2020, was the Distributor of the plans (including the Legacy Education Savings Plan and the Global Education Trust Plan). Its head office is in Richmond Hill, Ontario;
102. As mentioned at paragraphs 5 and 6 above, around the month of March 2020, Global was forced to surrender its RESP license following a complaint by the OSC, as it appears from copies of the complaint, the settlement and the order disclosed herewith *en liasse* as **Exhibit P-12**;
103. The Defendant **Global Educational Trust Foundation** claims to be a non-profit corporation without share capital incorporated under the laws of Canada, having its head office in Richmond Hill, Ontario. As Sponsor of the Plans (including the Global Education Trust Plan and the Legacy Education Savings Plan), the Foundation is considered to be promoter of the plans;
104. The Global Defendants’ 2015 prospectus (dated February 9<sup>th</sup>, 2015) contains the following undertaking (Exhibit P-6, see pages 21 and 39):

**The funds are invested in accordance with NP-15.** While the investment manager has discretion as to the selection of issuers of securities, **there is little or no discretion to deviate from the investment objective of the Plan and NP- 15**, that is, to invest in safe and secure fixed income securities of mainly Canadian federal and provincial government bonds, Guaranteed Investment Certificates (GICs), financial institution and corporate bonds. **Should the mandate under NP-15 change** and the Plan’s investment objective change accordingly, security holders will be notified.

[...]

## **Investment Restrictions**

**In accordance with NP-15**, the Plan's investment in corporate bonds must be of "designated rating" and not exceeding 20% of the income earned on Contributions and Government Grants; and investment in a particular corporate issuer is not to exceed 10%...

[...]

Scotia Institutional Asset Management ("SIAM"), Toronto, Ontario, is one of three Portfolio Advisors **investing and managing Plan assets in accordance with NP-15**.

105. The Defendants Global RESP Corporation and Global Educational Trust Foundation unlawfully exercise their commercial activities by failing to comply with their undertaking to respect *Regulation 15*;
106. Under the heading "What You Pay", Defendants Global RESP Corporation and Global Educational Trust Foundation state that their Sales Charge is "\$60 per Unit", and this in violation of *Regulation 15* (see Exhibit P-6 at page 27);
107. Under the heading "Paying Off the Sales Charge" (page 27), Defendants Global RESP Corporation and Global Educational Trust Foundation state that "*100% of your first Contributions go toward the sales charge until 100% of the sales charge is paid off. Altogether, it will take you up to 26 months to pay off the sales charge. During this time, approximately 99% of your Contributions will be used to pay the sales charge and approximately 1% of your Contributions will be invested in your plan*", in violation of *Regulation 15*;
108. To conclude this section, despite the above undertakings in each of their respective prospectuses (which are included year after year and up until the date of the present Application), all of the Defendants failed to comply with their undertakings with respect to *Regulation 15* contained in their prospectuses and continue to charge abusive Sales Charges;
109. The Representative Plaintiff discloses herewith extracts of the enterprise's information statements from the Quebec enterprise register for all of the Defendants *en liasse* as **Exhibit P-13**;

## **VII. THE REPRESENTATIVE PLAINTIFF'S PERSONAL EXPERIENCE**

110. On or around February 10, 2015, Mr. Wang entered into two RESP Agreements with the C.S.T. Defendants;
111. Mr. Wang is a consumer within the meaning of article 1384 C.C.Q.;
112. The contract signed by Mr. Wang is a contract of adhesion;

113. Mr. Wang immigrated to Canada from China, landing in Toronto on February 6<sup>th</sup>, 2015 and arrived to Montreal on February 7<sup>th</sup>, 2015;
114. When he arrived to Montreal, he and his family lived in a property owned by Ms. Ruoli Li's. Ms. Li is the CST agent (registered as a Scholarship Plan Dealer with the AMF and member of the *Chambre de la sécurité financière*) who immediately introduced and sold the RESP plans to Mr. Wang within days of his landing in Canada;
115. The meeting with Ms. Li lasted for a total of sixty (60) minutes and generated Sales Charges (i.e. the commission of CST and/or its agents) of \$11,720.00 for two RESPs, as it appears from the Application form disclosed herewith as **Exhibit P-14** (see page 5-PDF);
116. Mr. Wang opened a RESP *Group Savings Plan 2001* for each of his two children with the C.S.T. Defendants because he wanted to contribute towards his children's post-secondary education;

#### **The Representative Plaintiff's 1<sup>st</sup> RESP (for Haiyuan)**

117. Mr. Wang signed the standard form Application for his first child Haiyuan Wang (Plan #22008497) on or around February 10<sup>th</sup>, 2015 and received a welcome letter dated February 11<sup>th</sup>, 2015, along with the "Education Savings Plan Agreement" as it appears from a copy of his Education Savings Plan Agreement with C.S.T. for Haiyuan disclosed as **Exhibit P-15**;
118. Mr. Wang had agreed to contribute \$4,999.93 per year (with a total of 10 annual contributions beginning on February 6<sup>th</sup>, 2015), which amounted to 32.626 units for Haiyuan in the *Group Savings Plan 2001*;
119. On February 11<sup>th</sup>, 2015, Mr. Wang received an email from the CST agent Ruoli Li ([ruoli.li@cstresp.com](mailto:ruoli.li@cstresp.com)), containing a copy of his application, as it appears from the email and Application form (Exhibit P-14);
120. On February 13<sup>th</sup>, 2015, Mr. Wang received an email from C.S.T. ([cstwelcome@cst.org](mailto:cstwelcome@cst.org)), which included a PDF file of their 2014 prospectus (Exhibit P-2) and a PDF file titled "Plan Summary" disclosed as **Exhibit P-16**, the whole as it appears from the email disclosed as **Exhibit P-17**;
121. Concerning his first cause of action regarding the illegality of the Sales Charges (which applies to all Class members), the Defendant C.S.T. Consultants Inc. thus unlawfully charged Mr. Wang **\$6,325.20** above the \$200.00 legal maximum for his first RESP (Plan #22008497), and this in violation of subsection 1.1 (7) of *Regulation 15* which provides that the fees charged, including the commissions of the distributor and its salesmen, must not exceed \$200.00 per plan – which the C.S.T. Defendants undertook to comply with in their 2014 prospectus dated May 29<sup>th</sup>, 2014, Exhibit P-2 (see pages 1 and 10 regarding C.S.T.'s undertaking to

comply with *Regulation No. 15*):

(pages 5 and 14 of the PDF, Exhibit P-2)

**“The Plans are managed in accordance with the investment restrictions set out in National Policy Statement No. 15 *Conditions Precedent to Acceptance of Scholarship or Educational Plan Prospectuses* and the administrative policies of the Canadian Securities Administrators.”**

122. Mr. Wang’s second cause of action concerns the abusive nature of the Sales Charges that C.S.T. caused him to forfeit, in proportion to the contributions he made towards Haiyuan’s RESP, at the time that he cancelled Haiyuan’s RESP. As mentioned, the Defendant C.S.T. Consultants Inc. charged him **\$6,525.20** on account of Sales Charges for 32.626 units for Haiyuan’s RESP (\$200 x 32.626 units), as it appears from Exhibit P-14 and Exhibit P-15;
123. The way that C.S.T. charged him these fees was by deducting the \$6,525.20 in Sales Charges from his initial contributions towards Haiyuan’ RESP, until the Sales Charges were fully paid;
124. On February 17<sup>th</sup>, 2015, Mr. Wang made his first annual contribution of \$4,999.93 towards Haiyuan’s RESP, as it appears from the “Preauthorized Debit CST Foundation” appearing on a copy of his CIBC bank statement for February 2015, disclosed as **Exhibit P-18** (Mr. Wang alleges that the Defendants misled him and Class members by stating that their respective “Foundations” are a “not-for-profit organization”, whereas the Foundations are withdrawing the Sales Charges and have some of the same individuals as officers and directors of both entities, which creates a conflict of interest);
125. From his first annual contribution of \$4,999.93, CST Foundation deducted \$4,131.27 (i.e. 82.62% of his contribution) as a payment towards the Sales Charges, as it appears from Mr. Wang’s “CST 2015 Annual Client Statement” (see page 9 of 9) disclosed as **Exhibit P-19**;
126. Because of the way that CST front-loads its Sales Charges, had Mr. Wang (or any Class member similarly situated) cancelled Haiyuan’s RESP after 3 months, he would have lost \$4,131.27 (or 82.62%) of his RESP investment on account of Sales Charges, even though his account was only opened for 90 days;
127. On February 8<sup>th</sup>, 2016, Mr. Wang made his second annual contribution of \$4,999.93 towards Haiyuan’s RESP, as it appears from a copy of his CIBC bank statement for February 2016 disclosed as **Exhibit P-20**;
128. CST Foundation deducted an additional \$2,393.93 from Mr. Wang’s second \$4,999.93 payment towards the Sales Charges, as it appears from the document titled “Canadian Scholarship Trust Plan Current Statement (January 1, 2017 to

June 6, 2017)” in Haiyuan’s name (see page 2 of 2 showing total Sales Charges paid as \$6,525.20) disclosed as **Exhibit P-21**;

129. Therefore, as of the date of his second payment on February 8<sup>th</sup>, 2016, Mr. Wang had contributed \$9,999.86 towards Haiyuan’s RESP, from which CST deducted the sum of \$6,525.20 on account of Sales Charges. In other words, the Sales Charges in proportion to Mr. Wang’s contributions were as follows:

Year	Total of all Contributions	Total Sales Charges (\$)	Sales Charges (%)
Contribution #1 (2015)	\$4,999.93	\$4,131.27	82.62%
Contribution #2 (2016)	\$9,999.86	\$6,525.20	65.25%

130. In October of 2016, Mr. Wang decided that he wanted to cancel his RESP plans with CST and wished to transfer his capital (i.e. the \$9,999.86 he contributed over a 20-month period), plus the government grants and interest, to a RESP account at the CIBC, which brings us to the second cause of action concerning the abusive nature of the Sales Charges in proportion to the total contributions made at the time of termination;
131. On November 15<sup>th</sup>, 2016, C.S.T. Consultants Inc. sent a letter to Mr. Wang informing him that if he cancelled Haiyuan’s plan on that day (which is only 21 months after he made his first payment to the RESP on February 17, 2015), he would forfeit \$6,520.20 on account Sales Charges, as it appears from **Exhibit P-22**;
132. The forfeiture of \$6,520.20 represents a penalty/loss of 65.25% of Mr. Wang’s total contributions towards Haiyuan’s RESP and the contractual clause enabling this is manifestly abusive and should be declared null;
133. On June 6<sup>th</sup>, 2017, CST terminated Haiyuan’s RESP, at which point Mr. Wang’s loss of \$6,525.20 as a percentage of contributions (65.25%) was determinable and crystallized (CST’s termination letter is included in Exhibit P-21);
134. On June 19<sup>th</sup>, 2017, Mr. Wang’s contributions (less Sales Charges of \$6,525.20 and some other administrative fees) and government grants accumulated in Haiyuan’s RESP were transferred from CST to CIBC Securities Inc., as it appears from **Exhibit P-23**;
135. Mr. Wang emphasizes that the abusive nature of the proportionate loss varies each month or year (depending on whether the contributions are made on a monthly or annual basis) and therefore prescription for this cause of action can only start once that percentage (i.e. Sales Charges forfeited divided by total payments made towards the RESP) is determinable, which in Mr. Wang’s case was on June 6<sup>th</sup>, 2017;



136. To prove how the abusive nature of the loss varies in time, the chart below shows the Sales Charges in proportion to total contributions had Mr. Wang continued paying \$4,999.93 annually for 10-years:

Year	Total of all Contributions	Total Sales Charges (\$)	Sales Charges (%)
Contribution #1 (2015)	\$4,999.93	\$4,131.27	82.62%
Contribution #2 (2016)	\$9,999.86	\$6,525.20	65.25%
Contribution #3 (2017)	\$14,999.79	\$6,525.20	43.50%
Contribution #4 (2018)	\$19,999.72	\$6,525.20	32.63%
Contribution #5 (2019)	\$24,999.65	\$6,525.20	26.10%
Contribution #6 (2020)	\$29,999.58	\$6,525.20	21.75%
Contribution #7 (2021)	\$34,999.51	\$6,525.20	18.64%
Contribution #8 (2022)	\$39,999.44	\$6,525.20	16.31%
Contribution #9 (2023)	\$44,999.37	\$6,525.20	14.50%
Contribution #10 (2024)	\$49,999.30	\$6,525.20	13.05%

137. It is important to note that at any point in time when Mr. Wang would decide to cancel his RESP, he would have lost 100% of his Sales Charges because the Defendants deduct them from his initial contributions. The purpose of the chart above is to prove that at a certain point, the loss in proportion to total contributions is reasonable and cannot be considered as abusive (for instance, as of year #9 where the Sales Charges represent 14.50% of total contributions). However, there should be no debate that termination forfeitures ranging from 82.62% to 26.10% (in years 1 to 5) of the amount contributed is objectively abusive;
138. This is even more so considering that the Defendants generate substantial revenues from sources other than the Sales Charges (for example, see page 22 of CST's prospectus, Exhibit P-2, as well as the chart at paragraph 37 above);

**Mr. Wang's 2<sup>nd</sup> RESP (for Xuyuan)**

139. Mr. Wang signed the standard form Application for his second child Xuyuan Wang (Plan #22008489) on or around February 10<sup>th</sup>, 2015, as it appears from a copy of his Education Savings Plan Agreement with C.S.T. for Xuyuan disclosed as **Exhibit P-24**;
140. Mr. Wang had agreed to contribute \$5,000.00 per year (with a total of 10 annual contributions beginning on February 6<sup>th</sup>, 2015), which amounted to 25.974 units for Xuyuan in the *Group Savings Plan 2001*;
141. On February 11<sup>th</sup>, 2015, Mr. Wang received an email from the C.S.T. agent Ruoli Li ([ruoli.li@cstresp.com](mailto:ruoli.li@cstresp.com)), containing a copy of his application (Exhibit P-14 contains a single application for both children);
142. On February 13<sup>th</sup>, 2015, Mr. Wang received an email from C.S.T.

([cstwelcome@cst.org](mailto:cstwelcome@cst.org)), which included a PDF file of their 2014 prospectus (Exhibit P-2) and a PDF file titled "Plan Summary" (Exhibit P-16);

143. The Defendant C.S.T. Consultants Inc. charged Mr. Wang **\$5,194.80** on account of Sales Charges for 25.974 units (\$200 x 25.974 units), as it appears from Exhibit P-24 and Exhibit P-14 (Exhibit P-14 at page 5-PDF shows a single total charged for both plans);
144. Concerning his first cause of action regarding the illegality of the Sales Charges (which applies to all Class members), the Defendant C.S.T. Consultants Inc. thus unlawfully charged Mr. Wang **\$4,994.80** above the \$200.00 legal maximum for his second RESP (Plan #22008489), and this in violation of subsection 1.1 (7) of *Regulation 15* which provides that the fees charged, including the commissions of the distributor and its salesmen, must not exceed \$200.00 per plan – which the C.S.T. Defendants undertook to comply with in their 2014 prospectus dated May 29<sup>th</sup>, 2014, Exhibit P-2 (see pages 1 and 10 regarding C.S.T.'s undertaking to comply with *Regulation 15*);
145. The way that C.S.T. charged these fees was by deducting the \$5,194.80 in Sales Charges from Mr. Wang's initial contributions towards Xuyuan's RESP, until the Sales Charges were fully paid;
146. On February 17<sup>th</sup>, 2015, Mr. Wang made his first annual contribution of \$5,000.00 towards Xuyuan's RESP, as it appears from the "Preauthorized Debit CST Foundation" appearing on a copy of his CIBC bank statement for February 2015, disclosed as **Exhibit P-25**;
147. From his first annual contribution of \$5,000.00, CST Foundation deducted \$3,798.70 (i.e. 75.97% of his contribution) as a payment towards the Sales Charges, as it appears from Mr. Wang's "CST 2015 Annual Client Statement" (see Exhibit P-19, at page 5 of 9);
148. Because of the way that CST front-loads its Sales Charges, had Mr. Wang (or any Class member similarly situated) cancelled Xuyuan's RESP after 3 months, he would have lost \$3,798.70 (or 75.97%) of his RESP investment on account of Sales Charges, even though his account was only opened for 90 days;
149. On February 8<sup>th</sup>, 2016, Mr. Wang made his second annual contribution of \$5,000.00 towards Xuyuan's RESP, as it appears from a copy of his CIBC bank statement for February 2016 disclosed as **Exhibit P-26**;
150. CST Foundation deducted an additional \$1,396.10 from Mr. Wang's second \$5,000.00 payment towards the Sales Charges, as it appears from the document titled "Canadian Scholarship Trust Plan Current Statement (January 1, 2017 to June 6, 2017)" in Xuyuan's name (see page 2 of 2 showing total sales charges paid as \$5,194.80) disclosed as **Exhibit P-27**;

151. Therefore, as of the date of his second payment on February 8<sup>th</sup>, 2016, Mr. Wang had contributed \$10,000.00 towards Xuyuan's RESP, from which CST deducted the sum of \$5,194.80 on account of Sales Charges. In other words, the Sales Charges in proportion to Mr. Wang's contributions are as follows:

Year	Total of all Contributions	Total Sales Charges (\$)	Sales Charges (%)
Contribution #1 (2015)	\$5,000.00	\$3,798.70	75.97%
Contribution #2 (2016)	\$10,000.00	\$5,194.80	51.95%

152. In October of 2016, Mr. Wang decided that he wanted to cancel his RESP plans with CST and wished to transfer his capital (i.e. the \$10,000.00 he contributed over a 20-month period), plus the government grants and interest, to a RESP account at the CIBC, which brings us to the second cause of action concerning the abusive nature of the Sales Charges in proportion to the total contributions made at the time of termination;
153. On November 15<sup>th</sup>, 2016, C.S.T. Consultants Inc. sent a letter to Mr. Wang informing him that if he cancelled Xuyuan's plan on that day (which is only 21 months after he made his first payment to the RESP on February 17, 2015), he would forfeit \$5,194.80 on account of Sales Charges, as it appears from **Exhibit P-28**;
154. The forfeiture of \$5,194.80 represents a penalty/loss of 51.95% of Mr. Wang's total contributions towards Xuyuan's RESP and the contractual clause enabling this is manifestly abusive and should be declared null;
155. On June 6<sup>th</sup>, 2017, CST terminated Xuyuan's RESP, at which point Mr. Wang's loss of \$5,194.80 as a percentage of contributions (51.95%) was determinable and crystallized (CST's termination letter for Xuyuan's plan is included in Exhibit P-27);
156. On June 13<sup>th</sup>, 2017, Mr. Wang's capital (less Sales Charges of \$5,194.80 and some other administrative fees) and government grants accumulated in Xuyuan's RESP were transferred from CST to CIBC Securities Inc., as it appears from **Exhibit P-29**;
157. To prove how the abusive nature of the loss varies in time, the chart below shows the Sales Charges in proportion to total contributions had Mr. Wang continued paying \$5,000.00 annually for 10-years:

Year	Total of all Contributions	Total Sales Charges (\$)	Sales Charges (%)
Contribution #1 (2015)	\$5,000.00	\$3,798.70	75.97%
Contribution #2 (2016)	\$10,000.00	\$5,194.80	51.95%
Contribution #3 (2017)	\$15,000.00	\$5,194.80	34.63%
Contribution #4 (2018)	\$20,000.00	\$5,194.80	25.97%

Contribution #5 (2019)	\$25,000.00	\$5,194.80	20.78%
Contribution #6 (2020)	\$30,000.00	\$5,194.80	17.31%
Contribution #7 (2021)	\$35,000.00	\$5,194.80	14.84%
Contribution #8 (2022)	\$40,000.00	\$5,194.80	12.99%
Contribution #9 (2023)	\$45,000.00	\$5,194.80	11.54%
Contribution #10 (2024)	\$50,000.00	\$5,194.80	10.39%

158. Again, the purpose of the chart above is to prove that at a certain point, the loss in proportion to total payments is reasonable and cannot be considered as abusive (for instance, as of year #8 where the Sales Charges represent 12.99% of total contributions). However, there should be no debate that termination forfeitures ranging from 75.97% to 25.97% (in years 1 to 5) of the amount contributed is objectively abusive;

### **Recap**

159. In its 2014 prospectus which applies to Mr. Wang's plans (Exhibit P-2), C.S.T. states that it recognizes and complies with *Regulation 15*, which is false;
160. By charging Mr. Wang more than \$200.00 per plan, C.S.T. failed to comply with section 1.1(7) of *Regulation 15* (which is what they undertook to do by including this in their prospectuses year after year) and are therefore liable to reimburse Mr. Wang the total sum of \$11,320.00 for both plans (Exhibit P-14 at page 5-PDF shows that Mr. Wang was charged a total of \$11,720.00 for two plans and he agrees that C.S.T. could have charged him \$200.00 per plan);
161. Additionally, in June of 2017, when Mr. Wang terminated both his plans, C.S.T. refused to reimburse him any portion of the Sales Charges and the amount of \$11,720.00 that he paid on account of Sales Charges for both plans and which he was forced to forfeit upon termination of the RESPs, after only 2 years, represents 58.60% of his contributions, which is objectively abusive under article 1437 C.C.Q. and there exists no regulation or legal basis that allows the Defendants to charge such a disproportionate amount of fees;
162. On August 25, 2017, C.S.T. Consultants Inc. sent a letter to Mr. Wang declining his request for a refund of the Sales Charges, as it appears from a copy of the letter disclosed herewith as **Exhibit P-30**. In this letter CST mentions:
- “We are aware that a class action regarding Regulation C-15 and the sales charges paid by clients has been initiated in Quebec. Until this matter is resolved, CSTC will administer your account in accordance with the terms of your Education Savings Plan Agreement **and the prospectus in effect at the time of purchase** and deny your request for a partial refund of the sales charges paid.”
163. Mr. Wang re-emphasizes that in the class action referred to by CST in Exhibit

P-30, the Court said that it would have authorized the class action concerning the cause of action based on the violation of *Regulation C-15*, but for the fact that the claim of the proposed Plaintiff (Mr. Segalovich) was prescribed, which the Court of Appeal agreed with, the Representative Plaintiff disclosing **Exhibit P-31**;

164. As for “*the prospectus in effect at the time of purchase*” (i.e. Exhibit P-2), CST clearly undertook to comply with *Regulation C-15* and it failed to do so by charging Mr. Wang and all Class members more than \$200.00 per plan;

#### **VIII. THE DEFENDANTS’ LIABILITY**

165. The Defendants orchestrate, participate in, advertise for, collect payment and profit from the commission of the two illegal practices alleged herein;
166. The Defendants’ misconduct is ongoing;

#### **IX. REMEDIES SOUGHT**

##### **a) Article 1458 C.C.Q.**

167. Given that the Defendants failed to honour their contractual undertakings and charged Sales Charges of more than the \$200.00 per plan provided for by *Regulation 15*, Mr. Wang claims damages in the amount of \$11,320.00 pursuant to article 1458 C.C.Q.;
168. Mr. Wang respectfully requests that this Honourable Court order the Defendants to pay to all Class members compensatory damages for the aggregate of the difference between the amounts charged per plan as enrolment fees, sales charges and/or membership fees and the legal maximum amount of \$200.00 per plan provided for under section 1.1(7) of *Regulation 15*, which the Defendants undertook to comply with, and to order the collective recovery of these sums;

##### **b) Article 1437 C.C.Q.**

169. Subsidiarily, Mr. Wang requests that the Court declare the clause providing for Sales Charges in excess of \$200.00 per plan abusive and that his – and the Class Members’ obligations be reduced to \$200.00 per plan, pursuant to article 1437 C.C.Q.;
170. Should the Court decide not to grant the first two remedies, Mr. Wang submits that Sales Charges representing more than 20% of the Subclass Members’ contributions as of the date of cancellation of their RESP are abusive and ought to be reduced accordingly pursuant to article 1437 C.C.Q.;

**X. THE PERSONAL CLAIMS OF EACH MEMBER AGAINST THE DEFENDANTS**

171. All Class and Subclass members are in the same position as the Representative Plaintiff vis-à-vis the Defendants;
172. Every Class member contracted with the Defendants based on the terms and undertakings contained in their respective prospectuses, including the undertaking that they comply with *Regulation 15*;
173. Every Subclass member lost more than 20% of their investment on account of Sales Charges upon termination of their RESP; This forfeiture was based on the same formula for everyone;
174. As such, all Class members have a common interest in proving that the Defendants failed to comply with their undertakings by charging Sales Charges in excess of what is provided for by subsection 1.1 (7) of *Regulation 15*;
175. Subsidiarily, all Subclass members have a common interest in proving that the Fees / Sales Charges were abusive at the time of termination;
176. Many news articles have been published describing that other families and consumers found themselves in a similar situation to Mr. Wang's. For instance, an article in the Morning Star dated February 21, 2021 titled "**Stay Away from Group RESPs**", includes the following, as it appears from **Exhibit P-32**:

"Macqueen is right when she says that they're **not consumer-friendly at all**. They have high fees, the disclosures on what the fees will actually cost you are poor at best, they are complex and difficult to understand, the rules to participate are restrictive, and it is extremely easy to get kicked out and lose a lot.

...

There are **many examples of parents getting nasty shocks**. This parent contributed \$65 per month for several months, contributing a total of \$568. The principal in her account after fees? \$66. **This deep dive highlights many cases where parents have lost thousands**. This parent tried to transfer \$3,000 from a group RESP and found that it would cost her \$2,000 in fees to do so."

177. Another example of consumers forfeiting important amounts to one of the Defendants (C.S.T. in this case) is detailed in an article published by CBC news on August 29, 2019 titled "**Saving for your kids' education: A cautionary tale**", disclosed as **Exhibit P-33**:

Hamed [H] opened two plans for his daughters with Canadian Scholarship Trust, an Ontario-based foundation that says it

manages over \$4.8 billion in assets for more than 250,000 Canadian families.

[H], who is an engineer, has been contributing \$400 every month to the two plans. His contributions have already climbed to \$8,000 — and his daughters, [E], 4, and [L], 19 months, are still preschoolers.

What he didn't know is that **most of those contributions have been going toward the sales charges for the plans**, rather than the actual Registered Education Savings Plan investment.

So, it came as a shock when he inquired about leaving the plan and the amount of money he would get back.

...

A representative of the foundation told [H] in an online chat that he would receive only \$2,000 if he pulls out.

178. The CBC news article, Exhibit P-33, further mentions that “Credit counselling agencies and financial educators say they’ve heard from several people who have raised similar concerns about group RESPs”. It refers to the example of being locked into a long-term cell phone contract:

“Jeff Loomis is the executive director of Momentum, a local organization that, among other things, teaches financial literacy to Calgarians. He says they often use the example of a cellphone contract to help explain the risks associated with a group RESP.

**“Would you really want to sign up for a cellphone contract for 18 years?** Because you just don’t know what your future would be like 10, 12, 15 years out,” Loomis said.

179. This CBC news article (Exhibit P-33) is also pertinent because Peter Lewis, who according to the Quebec business registry is listed as the Secretary for **both** the Defendant the Canadian Scholarship Trust Foundation (who claims to be a non-profit organization) and the Defendant C.S.T. Consultants Inc. (who is clearly for profit), made the following public declarations:

Peter Lewis, Canadian Scholarship Trust's vice-president of sales, says he could not comment on the specifics of the Hendizadeh matter but told CBC News he is proud of his company’s transparency around the fees that it charges for all of its products, including group RESPs.

"We're very upfront about what those fees are and we try to very carefully explain to families that's one of the risks that

you're going to take with this plan, is that you're locking into a schedule. And if it's not something you're comfortable with, then you shouldn't actually do that," said Lewis.

"Our goal is not to help families start a savings plan. Our goal is to help families finish their savings plan and get their kids to school," he said.

180. Mr. Lewis made similar public declarations to the media, as it appears from a CBC news article dated January 22, 2017 titled "**Why this Airdrie family regrets buying into a group RESP - Longterm education savings plan comes with heavy fees for those who want to get out early**", disclosed as **Exhibit P-34**:

"The mother of two said she wanted to transfer about \$3,000 from an RESP she bought into through the Canadian Scholarship Trust (CST) in April 2013, and was surprised to learn it would cost around \$2,000 in fees to do so.

...

CST Consultants vice-president Peter Lewis said the company is transparent about its funds and associated fees.

"We spend a fair bit of time up front with families making sure that they are aware of the sales charges and aware of the fact that this is not the type of savings vehicle that you should get into if you're looking to exit it early," he said.

181. Interestingly enough, Mr. Lewis' statements above contradict the one he made previously in a CBC news article dated September 7, 2010 titled "**Group RESPs: reading the fine print**", disclosed as **Exhibit P-35**:

"This is not a product for someone [who's] going to go in and out of the product over time," says Peter Lewis, chair of the RESP Dealers Association, which represents four of the biggest suppliers of group plans. "It's ideal for families who are prepared to commit to making regular contributions over time."

**Is there any confusion out there? "Yes, there are individuals who do not fully understand that," Lewis acknowledges.**

182. The Sales Charges imposed by the Defendants are still abusive even if the Defendants were, to use the words of Mr. Lewis, "*very upfront about what those fees are*" and even if the consumers are, again borrowing the words of Mr. Lewis, "*aware of the sales charges and aware of the fact that this is not the type of savings vehicle that you should get into if you're looking to exit it early*". In fact, the purpose of article 1437 C.C.Q. is to protect consumers and adherents to excessive and detrimental practices, such as those alleged herein against the Defendants;



183. The Defendant Children's Education Funds Inc. also made public declarations to the media concerning their fees, as it appears from a December 22, 2018 Global News article titled "***This Canadian couple invested nearly \$50K for their kids' education — they paid \$11K in fees***", disclosed as **Exhibit P-36**:

After contributing approximately \$49,000, Castaneda and Araiza are walking away with around \$12,000 in government grants tied to their RESP contributions, as well as a meagre \$12,500 in investment income earned on both grants and contributions.

The couple has also been charged \$11,400 in fees, a sum which almost offsets the investment returns the accounts earned in over 12 years. They say they feel cheated.

**"They charged us like a credit card [company] for holding our own money,"** Castaneda said.

...

When Global News contacted CEFI about Castaneda and Araiza's file, the company said the charges are in accordance with policies outlined in its prospectus.

...

In Castaneda and Araiza's case, **CEFI told Global News that the couple had been paying fees of approximately \$1,000 a year for both accounts for over a decade. Those charges would have grown smaller if the couple had remained in the group plan for its full life of 17 years, the plan dealer added.**

CEFI added that Castaneda and Araiza's fees also include interest charges worth approximately \$1,450 that were applied after the couple missed some payments.

Those charges served to compensate other plan members for the loss of interest income due to the missing contributions, CEFI said.

...

"Had the couple kept their Group Option Plans at CEFI, we believe that we would have achieved a satisfactory outcome," CEFI also said.

Castaneda and Araiza were allowed to retain their investment earnings by initially turning both group RESP accounts into individual RESP accounts at CEFI and then transferring the funds to an outside bank. The company warned them they would lose around \$8,500 in investment returns for both

children by moving the money directly from the group plan to a bank.

“Once CEFI became aware that the couple had made their minds up to transfer out to a bank, we worked with them to preserve their investment income,” the company told Global News via email.

**That investment income, however, was almost completely offset by fee charges.**

184. Darrell Bartlett, who is currently the Chief Risk & Compliance Officer for **both** the Defendants Knowledge First Foundation (who claims to be “a not-for-profit corporation”) and Knowledge First Financial Inc. (who is for profit), also made public declarations to the media – and particularly declarations concerning the present class action – as it appears from the July 31, 2018 Toronto Star article titled “***They thought they were saving for their kids’ education but were shocked to learn their money was gone***” disclosed as **Exhibit P-37**:

Heritage and Knowledge First are two of six firms named in a proposed class-action lawsuit that alleges customers were charged “unlawful” sales fees in Quebec, where regulations say fees must not exceed \$200 per plan. The lawsuit alleges customers were charged “abusive” sales fees, ranging from several hundred to several thousands of dollars. The lawsuit still has to be certified by a judge.

**Darrell Bartlett, Knowledge First’s chief compliance officer, said the allegations refer to agreements that have been “consistently disclosed in the company prospectuses each year”** and that the documents “are filed with and reviewed by all Canadian securities regulators, including the Quebec regulator, who has not raised any concerns described in the allegations.”

185. This Toronto Star article, Exhibit P-37, is particularly pertinent because not only did Mr. Bartlett discuss this class action, but he also declared and promised publicly – in 2018 – that, at his company, no “*customer will ever have their plan result in a forfeiture of net contributions again*”:

During the reporting of this story, **Knowledge First gave full refunds to all five customers interviewed by the Star**, resolving those cases “in a different fashion than previously done by Heritage.” **Knowledge First said it wants to lead its industry towards more flexible RESPs and that “no Heritage customer will ever have their plan result in a forfeiture of net contributions again.”**

186. Once again, the Knowledge First Defendants did not comply with their undertaking (that is that none of their customers “*will ever have their plan result in a forfeiture of net contributions again*”) and, in fact, at the authorization hearing they argued the exact opposite, that is that customers who cancel early into their plans will forfeit a significant amount of their contributions on account of Sales Charges – and that this was acceptable, notably because, according to them, the fees were disclosed;
187. The Representative Plaintiff’s and Class and Subclass members’ damages are a direct and proximate result of the Defendants faults, which they may collectively claim against the Defendants they contracted with respectively;
188. The Representative Plaintiff is accordingly entitled to claim and does hereby claim from the Defendants the following as damages:
- i) On behalf of each Class member: the reimbursement of the aggregate of the Sales Charges paid in excess of \$200.00 per plan; or
  - ii) On behalf of each Subclass member: the reimbursement of the aggregate of the amounts forfeited by Subclass members when they terminated their RESP, when the amount forfeited on account of Sales Charges was more than 20% of their contributions on the date of termination.

**XI. PRESCRIPTION**

189. The Class and Subclass authorized by this Honourable Court includes “*All persons residing in Quebec who, at any time since July 19<sup>th</sup>, 2013, signed a contract with any of the Defendants...*”;
190. The Representative Plaintiff submits that, pursuant to article 2908 C.C.Q., prescription was suspended for these people on July 19<sup>th</sup>, 2016, when Mr. Segalovich filed his application to authorize a class action in S.C.M. file no. 500-06-000803-169, on behalf of a class that included these same people;
191. Mr. Segalovich’s application was “no longer susceptible of appeal” (art. 2908 al. 3 C.C.Q.) when the Supreme Court of Canada dismissed his leave application on May 28, 2020. Mr. Wang initially filed his application to authorize a class action in the present file on June 15<sup>th</sup>, 2018 and the people in Mr. Segalovich’s application (who were not prescribed) were included in this case.

**XII. CONCLUSIONS**

<b>FOR THESE REASONS, MAY IT PLEASE THE COURT</b>	<b>POUR CES MOTIFS, PLAISE AU TRIBUNAL :</b>
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<p>1. <b>GRANT</b> the Representative Plaintiff's class action against Defendants on behalf of all Class members;</p>	<p><b>ACCUEILLIR</b> l'action collective du demandeur contre les défenderesses au nom de tous les membres du Groupe;</p>
<p>2. <b>CONDEMN</b> the Defendants to pay to Mr. Qing Wang and to the members of the Class compensatory damages for the aggregate of the difference between the amounts charged per plan as enrolment fees, sales charges and/or membership fees and the legal maximum amount of \$200.00 per plan provided for under section 1.1(7) of <i>Regulation No. 15</i> and <b>ORDER</b> collective recovery of these sums;</p>	<p><b>CONDAMNER</b> les défenderesses à payer à M. Qing Wang et aux membres du Groupe des dommages-intérêts compensatoires pour le total de la différence entre les montants facturés par plan en tant que frais d'inscription, frais de vente et/ou frais d'adhésion et le maximum légal de 200,00 \$ par plan prévu en vertu de l'article 1.1(7) du Règlement C-15 et <b>ORDONNER</b> la récupération collective de ces sommes;</p>
<p><b>SUBSIDIARILY,</b></p>	<p><b>SUBSIDIAIREMENT,</b></p>
<p>3. <b>DECLARE</b> abusive the following clause which appears in the Defendants' contracts of adhesion in the following, or similar terms:</p> <p>"You acknowledge that a sales charge of \$_____ (_____ units x \$200 per unit) is deducted from early contributions.</p> <p>The sales charge is deducted from your contribution as follows:</p> <p>All of your contributions are applied to the Sales Charge until it is one-half paid.</p> <p>After that, only one half of the contributions will be applied to the Sales Charge until it is fully paid."</p>	<p><b>DÉCLARER</b> abusive la clause suivante qui apparaît dans les contrats d'adhésion des défenderesses dans les termes suivants, ou des termes similaires :</p> <p>« Vous reconnaissez que des frais de souscription de _____ \$ (_____ unités x 200 \$ par unité) sont déduits des contributions anticipées.</p> <p>Les frais de souscription sont déduits de votre contribution comme suit:</p> <p>Toutes vos contributions sont appliquées aux frais de souscription jusqu'à ce qu'ils soient payés à moitié.</p> <p>Après cela, seule la moitié des contributions sera appliquée aux frais de souscription jusqu'à ce qu'ils soient entièrement payés. »</p>
<p>4. <b>REDUCE</b> the obligations of Class and Subclass members arising from the abusive clause so that they only pay the maximum of \$200.00 per plan provided for under section 1.1(7) of <i>Regulation No. 15</i>;</p>	<p><b>RÉDUIRE</b> les obligations des membres du Groupe et du Sous-groupe découlant de la clause abusive afin qu'ils ne paient que le maximum de 200,00 \$ par régime prévu à l'article 1.1 (7) du Règlement C-15;</p>

<p>5. <b>CONDEMN</b> the Defendants to pay interest and the additional indemnity on the above sums according to law from July 19<sup>th</sup>, 2016;</p>	<p><b>CONDAMNER</b> les défenderesses au paiement des intérêts et de l'indemnité complémentaire sur les sommes ci-dessus conformément à la loi du 19 juillet 2016;</p>
<p>6. <b>ORDER</b> that the claims of individual Class members be the object of collective liquidation if the proof permits and alternately, by individual liquidation;</p>	<p><b>ORDONNER</b> que les créances des membres individuels du Groupe fassent l'objet d'une liquidation collective si la preuve le permet et alternativement, par liquidation individuelle;</p>
<p>7. <b>ORDER</b> the Defendants to deposit in the office of this Court the totality of the sums which forms part of the collective recovery, with interest and costs;</p>	<p><b>ORDONNER</b> aux défenderesses de déposer au greffe de cette Cour la totalité des sommes qui font partie du recouvrement collectif, avec intérêts et dépens;</p>
<p>8. <b>CONDEMN</b> the Defendants to bear the costs of the present action, including the cost of notices, the cost of management of claims and the costs of experts, if any, including the costs of experts required to establish the amount of collective recovery orders;</p>	<p><b>CONDAMNER</b> les défenderesses à supporter les frais de la présente action, y compris les frais de notification, les frais de gestion des réclamations et les frais d'experts, le cas échéant, y compris les frais d'experts nécessaires pour établir le montant des ordres de recouvrement collectif;</p>
<p>9. <b>RENDER</b> any other order that this Honourable Court shall determine.</p>	<p><b>RENDRE</b> toute autre ordonnance que cette honorable Cour déterminera.</p>

Montreal, May 25, 2021

*(s) LPC Avocat Inc.*

**LPC AVOCAT INC.**

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Counsel for the Representative Plaintiff

**SUMMONS**  
(ARTICLES 145 AND FOLLOWING C.C.P.)

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**Filing of a judicial application**

Take notice that the Representative Plaintiff has filed this Originating Application in the office of the Superior Court in the judicial district of **Montreal**.

**Defendants' answer**

You must answer the application in writing, personally or through a lawyer, at the courthouse of Montreal situated at **1, Rue Notre-Dame E, Montréal, Quebec, H2Y 1B6**, within 15 days of service of the Application or, if you have no domicile, residence or establishment in Québec, within 30 days. The answer must be notified to the Representative Plaintiff's lawyer or, if the Representative Plaintiff is not represented, to the Representative Plaintiff.

**Failure to answer**

If you fail to answer within the time limit of 15 or 30 days, as applicable, a default judgement may be rendered against you without further notice and you may, according to the circumstances, be required to pay the legal costs.

**Content of answer**

In your answer, you must state your intention to:

- negotiate a settlement;
- propose mediation to resolve the dispute;
- defend the application and, in the cases required by the Code, cooperate with the Representative Plaintiff in preparing the case protocol that is to govern the conduct of the proceeding. The protocol must be filed with the court office in the district specified above within 45 days after service of the summons or, in family matters or if you have no domicile, residence or establishment in Québec, within 3 months after service;
- propose a settlement conference.

The answer to the summons must include your contact information and, if you are represented by a lawyer, the lawyer's name and contact information.

**Change of judicial district**

You may ask the court to refer the originating application to the district of your domicile or residence, or of your elected domicile or the district designated by an agreement with the Representative Plaintiff.

If the application pertains to an employment contract, consumer contract or insurance contract, or to the exercise of a hypothecary right on an immovable serving as your main residence, and if you are the employee, consumer, insured person, beneficiary of the insurance contract or hypothecary debtor, you may ask for a referral to the district of your domicile or residence or the district where the immovable is situated or the loss occurred. The request must be filed with the special clerk of the district of territorial jurisdiction after it has been notified to the other parties and to the office of the court already seized of the originating application.

### **Transfer of application to Small Claims Division**

If you qualify to act as a plaintiff under the rules governing the recovery of small claims, you may also contact the clerk of the court to request that the application be processed according to those rules. If you make this request, the plaintiff's legal costs will not exceed those prescribed for the recovery of small claims.

### **Calling to a case management conference**

Within 20 days after the case protocol mentioned above is filed, the court may call you to a case management conference to ensure the orderly progress of the proceeding. Failing this, the protocol is presumed to be accepted.

### **Exhibits supporting the application**

In support of the Originating Application, the Representative Plaintiff intends to use the following exhibits:

- EXHIBIT P-1:** Copy of a publication by the Canada Revenue Agency titled *Registered Education Savings Plans*;
- EXHIBIT P-2:** Copy of Defendants C.S.T. Consultants Inc. and Canadian Scholarship Trust Foundation's prospectus for their *Group Savings Plan 2001, Individual Savings Plan and Family Savings Plan* dated May 29<sup>th</sup>, 2014;
- EXHIBIT P-3:** Copy of Defendants Heritage Education Funds Inc. and Heritage Educational Fund's "Heritage Plans" prospectus dated August 7<sup>th</sup>, 2015;
- EXHIBIT P-4:** Copy of Defendants Universitas Management Inc. and Universitas Foundation of Canada's "Reflex Plan" prospectus dated November 30<sup>th</sup>, 2015;
- EXHIBIT P-5:** Copy of Defendants Children's Education Funds Inc. and Children Educational Foundation of Canada's prospectus dated November 12<sup>th</sup>, 2015;

- EXHIBIT P-6:** Copy of Defendants Global Educational Trust Foundation and Global RESP Corporation's prospectus dated February 9<sup>th</sup>, 2015;
- EXHIBIT P-7:** Copy of Defendants Knowledge First Financial Inc. and Knowledge First Foundation's prospectus dated August 26<sup>th</sup>, 2015;
- EXHIBIT P-8:** Screen capture of the Ontario Securities Commission's webpage titled "New Prospectus Form for Scholarship Plans";
- EXHIBIT P-9:** Copy of article written by Professor Gail E. Henderson titled "Group RESPs: The Intersection of Government Support for Education Savings and Securities Regulation", published in the University of Toronto Law Journal;
- EXHIBIT P-10:** Copy of the August 2008 Report prepared for Human Resources and Social Development Canada, titled *Review of Registered Education Savings Plan Industry Practices*;
- EXHIBIT P-11:** Copy of Defendants C.S.T. Consultants Inc. and Canadian Scholarship Trust Foundation's prospectus for their *Group Savings Plan 2001, Individual Savings Plan and Family Savings Plan* dated October 21<sup>st</sup>, 2015;
- EXHIBIT P-12:** *En liasse*, copies of the OSC complaint, settlement and order concerning Global RESP;
- EXHIBIT P-13:** *En liasse*, extracts of the CIDREQ and business registration for all Defendants;
- EXHIBIT P-14:** *En liasse*, copy of the email received from CST agent Ruoli Li ([ruoli.li@cstresp.com](mailto:ruoli.li@cstresp.com)) on February 11, 2015, containing a copy of the Mr. Wang's RESP application;
- EXHIBIT P-15:** Copy of the C.S.T. Education Savings Plan Agreement for Haiyuan effective February 1, 2015 (Plan #22008497);
- EXHIBIT P-16:** Copy of the CST "Plan Summary";
- EXHIBIT P-17:** Copy of the email sent by CST to Mr. Wang on February 13, 2015;
- EXHIBIT P-18:** Copy of Mr. Wang's CIBC bank statement for February 2015 showing payment of \$4,999.93;
- EXHIBIT P-19:** Copy of Mr. Wang's "CST 2015 Annual Client Statement";



- EXHIBIT P-20:** Copy of Mr. Wang's CIBC bank statement for February 2016 showing payment of \$4,999.93;
- EXHIBIT P-21:** Copy of the document titled "Canadian Scholarship Trust Plan Current Statement (January 1, 2017 to June 6, 2017)" in Haiyuan's name;
- EXHIBIT P-22:** Copy of letter dated November 15, 2016, sent by C.S.T. Consultants Inc. to Mr. Wang concerning the cancellation of Haiyuan's RESP;
- EXHIBIT P-23:** Copy of proof of transfer of Haiyuan's RESP from CST to CIBC Securities Inc. dated June 19, 2017;
- EXHIBIT P-24:** Copy of the C.S.T. Education Savings Plan Agreement for Xuyuan effective February 1<sup>st</sup>, 2015 (Plan #22008489);
- EXHIBIT P-25:** Copy of Mr. Wang's CIBC bank statement for February 2015 showing payment of \$5000.00;
- EXHIBIT P-26:** Copy of Mr. Wang's CIBC bank statement for February 2016 showing payment of \$5000.00;
- EXHIBIT P-27:** Copy of the document titled "Canadian Scholarship Trust Plan Current Statement (January 1, 2017 to June 6, 2017)" in Xuyuan's name;
- EXHIBIT P-28:** Copy of letter dated November 15<sup>th</sup>, 2016, sent by C.S.T. Consultants Inc. to Mr. Wang concerning the cancellation of Xuyuan's RESP;
- EXHIBIT P-29:** Copy of proof of transfer of Xuyuan's RESP from CST to CIBC Securities Inc. dated June 13, 2017;
- EXHIBIT P-30:** Copy of letter dated August 25, 2017, sent by C.S.T. Consultants Inc. to Mr. Wang;
- EXHIBIT P-31:** Copy of the Judgement of the Court of Appeal rendered on December 11, 2019 in *Segalovich c. CST Consultants inc.*, 2019 QCCA 2144;
- EXHIBIT P-32:** Copy of the Morning Star article dated February 21, 2021 titled "Stay Away from Group RESPs";
- EXHIBIT P-33:** Copy of the CBC news on August 29, 2019 titled "Saving for your kids' education: A cautionary tale";

- EXHIBIT P-34:** Copy of the CBC news article dated January 22, 2017 titled “Why this Airdrie family regrets buying into a group RESP”;
- EXHIBIT P-35:** Copy of the CBC news article dated September 7, 2010 titled “Group RESPs: reading the fine print”;
- EXHIBIT P-36:** Copy of the December 22, 2018 Global News article titled “*This Canadian couple invested nearly \$50K for their kids’ education — they paid \$11K in fees*”;
- EXHIBIT P-37:** Copy of the July 31, 2018 Toronto Start article titled “They thought they were saving for their kids’ education but were shocked to learn their money was gone”.

The exhibits in support of the application are available on request.

### **Notice of presentation of an application**

If the application is an application in the course of a proceeding or an application under Book III, V, excepting an application in family matters mentioned in article 409, or VI of the Code, the establishment of a case protocol is not required; however, the application must be accompanied by a notice stating the date and time it is to be presented.

Montreal, May 25, 2021

*(s) LPC Avocat Inc.*

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**LPC AVOCAT INC.**

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Counsel for the Representative Plaintiff

500-06-000932-182

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(Class Action)  
SUPERIOR COURT  
DISTRICT OF MONTREAL

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**QING WANG**

Representative Plaintiff

v.

**C.S.T. CONSULTANTS INC.  
ET ALS.**

Defendants

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**ORIGINATING APPLICATION**  
(Articles 141 and 583 C.C.P.)  
Nature of Suit: Damages

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**ORIGINAL**

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**BL 6059**

**N/D: JZ-168**

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