

The Ontario Securities Commission

# OSC Bulletin

September 24, 2010

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The Ontario Securities Commission administers the *Securities Act* of Ontario (R.S.O. 1990, c. S.5) and the *Commodity Futures Act* of Ontario (R.S.O. 1990, c. C.20)

**The Ontario Securities Commission**

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## Chapter 1

# Notices / News Releases

### 1.1 Notices

#### 1.1.1 Current Proceedings Before The Ontario Securities Commission

September 24, 2010

#### CURRENT PROCEEDINGS

BEFORE

#### ONTARIO SECURITIES COMMISSION

Unless otherwise indicated in the date column, all hearings will take place at the following location:

The Harry S. Bray Hearing Room  
Ontario Securities Commission  
Cadillac Fairview Tower  
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Toronto, Ontario  
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Mary G. Condon	—	MGC
Margot C. Howard	—	MCH
Kevin J. Kelly	—	KJK
Paulette L. Kennedy	—	PLK
Patrick J. LeSage	—	PJL
Carol S. Perry	—	CSP
Charles Wesley Moore (Wes) Scott	—	CWMS

### SCHEDULED OSC HEARINGS

September 27, September 29 – October 1, 2010	10:00 a.m.	<b>Chartcandle Investments Corporation, CCI Financial, LLC, Chartcandle Inc., PSST Global Corporation, Stephen Michael Chesnowitz and Charles Pauly</b>
September 28, 2010	2:30 p.m.	s. 127 and 127.1  S. Horgan in attendance for Staff  Panel: JDC/PJL
September 27, 29 and October 1, 4, 13-19, 21-22, 2010	10:00 a.m.	<b>Sulja Bros. Building Supplies, Ltd., Petar Vucicevich, Kore International Management Inc., Andrew Devries, Steven Sulja, Pranab Shah, Tracey Banumas and Sam Sulja</b>
		s. 127 and 127.1  J. Feasby in attendance for Staff  Panel: PJL/SA
September 28, 2010	2:30 p.m.	<b>Shaun Gerard McErlean, Securus Capital Inc., and Acquiesce Investments</b>
		s. 127  M. Britton in attendance for Staff  Panel: MGC
September 28, 2010	2:30 p.m.	<b>Mega-C Power Corporation, Rene Pardo, Gary Usling, Lewis Taylor Sr., Lewis Taylor Jr., Jared Taylor, Colin Taylor and 1248136 Ontario Limited</b>
		s. 127  M. Britton/J.Feasby in attendance for Staff  Panel: JDC/KJK

September 29 – October 1, 2010	<b>Wilton J. Neale, Multiple Streams of Income (MSI) Inc., and 360 Degree Financial Services Inc.</b>	October 13, 2010	<b>Ameron Oil and Gas Ltd. and MX-IV, Ltd.</b>
10:00 a.m.	s. 127 and 127.1	10:00 a.m.	s. 127
	H. Daley in attendance for Staff		M. Boswell in attendance for Staff
	Panel: JEAT/CSP/CWMS		Panel: TBA
October 4, 6-8, 13-15 and December 6, 8-10, 2010	<b>Sextant Capital Management Inc., Sextant Capital GP Inc., Otto Spork, Robert Levack and Natalie Spork</b>	October 13, 2010	<b>QuantFX Asset Management Inc., Vadim Tsatskin, Lucien Shtromvasser and Rostislav Zemlinsky</b>
10:00 a.m.	s. 127	10:30 a.m.	s. 127
	T. Center in attendance for Staff		H. Craig in attendance for Staff
October 5, 2010	Panel: JDC/CSP		Panel: TBA
1:00 p.m.		October 21, 2010	<b>Cicccone Group, Medra Corporation, 990509 Ontario Inc., Tadd Financial Inc., Cachet Wealth Management Inc., Vince Cicccone, Darryl Brubacher, Andrew J. Martin., Steve Haney, Klaudiusz Malinowski and Ben Giangrosso</b>
October 4, 6-8, 13-15, 18-19, 25 and 27-29, 2010	<b>Coventree Inc., Geoffrey Cornish and Dean Tai</b>	10:00 a.m.	s. 127
November 1-3, 2010	J. Waechter in attendance for Staff		P. Foy in attendance for Staff
December 1-3 and 8-17, 2010	Panel: JEAT/MGC/PLK		Panel: JDC
10:00 a.m.		October 21, 2010	<b>Lehman Brothers &amp; Associates Corp., Greg Marks, Michael Lehman (a.k.a. Mike Laymen), Kent Emerson Lounds and Gregory William Higgins</b>
October 5, 2010	<b>Abel Da Silva</b>	12:00 p.m.	s. 127
10:00 a.m.	s. 127		H. Craig in attendance for Staff
	M. Boswell in attendance for Staff		Panel: JDC
	Panel: JEAT		
October 12, 2010	<b>Brilliante Brasilcan Resources Corp., York Rio Resources Inc., Brian W. Aidelman, Jason Georgiadis, Richard Taylor and Victor York</b>		
3:30 p.m.	s. 127		
	H. Craig in attendance for Staff		
	Panel: MGC		

<p>October 25, 2010 10:00 a.m.</p>	<p><b>Access Automation LLC, Access Fund Management, LLC, Access Fund, L.P., Gordon Alan Driver, David Rutledge, 6845941 Canada Inc. carrying on business as Anesis Investments, Steven M. Taylor, Berkshire Management Services Inc. carrying on business as International Communication Strategies, 1303066 Ontario Ltd. carrying on business as ACG Graphic Communications, Montecassino Management Corporation, Reynold Mainse, World Class Communications Inc. and Ronald Mainse</b></p> <p>s. 127</p> <p>Y. Chisholm in attendance for Staff</p> <p>Panel: CSP</p>	<p>November 8, 2010 10:00 a.m.</p>	<p><b>Global Energy Group, Ltd. and New Gold Limited Partnerships</b></p> <p>s. 127</p> <p>H. Craig in attendance for Staff</p> <p>Panel: TBA</p>
<p>October 25-29, 2010 10:00 a.m.</p>	<p><b>IBK Capital Corp. and William F. White</b></p> <p>s. 127</p> <p>M. Vaillancourt in attendance for Staff</p> <p>Panel: JDC/CWMS</p>	<p>November 8, November 10-19, 2010 10:00 a.m.</p>	<p><b>New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc., New Life Capital Strategies Inc., 1660690 Ontario Ltd., L. Jeffrey Pogachar, Paola Lombardi and Alan S. Price</b></p> <p>s. 127</p> <p>M. Britton in attendance for Staff</p> <p>Panel: TBA</p>
<p>November 4, 2010 11:00 a.m.</p>	<p><b>Lehman Cohort Global Group Inc., Anton Schnedl, Richard Unzer, Alexander Grundmann and Henry Hehlsinger</b></p> <p>s. 127</p> <p>H. Craig in attendance for Staff</p> <p>Panel: JEAT/CSP/SA</p>	<p>November 12, 2010 10:00 a.m.</p>	<p><b>Imagin Diagnostic Centres Inc., Patrick J. Rooney, Cynthia Jordan, Allan McCaffrey, Michael Shumacher, Christopher Smith, Melvyn Harris and Michael Zelyony</b></p> <p>s. 127 and 127.1</p> <p>J. Feasby in attendance for Staff</p> <p>Panel: MGC/MCH</p>
<p>November 8, 2010 10:00 a.m.</p>	<p><b>Christina Harper, Howard Rash, Michael Schaumer, Elliot Feder, Vadim Tsatskin, Oded Pasternak, Alan Silverstein, Herbert Groberman, Allan Walker, Peter Robinson, Vyacheslav Brikman, Nikola Bajovski, Bruce Cohen and Andrew Shiff</b></p> <p>s. 127</p> <p>H. Craig in attendance for Staff</p> <p>Panel: TBA</p>	<p>November 15-18, November 24 – December 2, 2010 10:00 a.m.</p>	<p><b>Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fund and Roy Brown (a.k.a. Roy Brown-Rodrigues)</b></p> <p>s. 127 and 127.1</p> <p>D. Ferris in attendance for Staff</p> <p>Panel: TBA</p>
<p>November 22, 2010 10:00 a.m.</p>	<p><b>Georges Benarroch, Linda Kent, Marjorie Ann Glover and Credifinance Securities Limited</b></p> <p>s. 21.7</p> <p>A. Heydon in attendance for Staff</p> <p>Panel: JDC/CSP</p>		

November 29, 2010 9:30 a.m.	<b>Irwin Boock, Stanton Defreitas, Jason Wong, Saudia Allie, Alena Dubinsky, Alex Khodjiaints Select American Transfer Co., Leasesmart, Inc., Advanced Growing Systems, Inc., International Energy Ltd., Nutrione Corporation, Pocketop Corporation, Asia Telecom Ltd., Pharm Control Ltd., Cambridge Resources Corporation, Compushare Transfer Corporation, Federated Purchaser, Inc., TCC Industries, Inc., First National Entertainment Corporation, WGI Holdings, Inc. and Enerbrite Technologies Group</b>	January 10, 12-21 and 24, 2011 10:00 a.m.	<b>Carlton Ivanhoe Lewis, Mark Anthony Scott, Sedwick Hill, Leverage Pro Inc., Prosporex Investment Club Inc., Prosporex Investments Inc., Prosporex Ltd., Prosporex Inc., Prosporex Forex SPV Trust, Network Financial Group Inc., and Network Marketing Solutions</b>
	s. 127 and 127.1 H. Craig in attendance for Staff Panel: MGC		s. 127 and 127.1 H. Daley in attendance for Staff Panel: TBA
November 29, 2010 10:00 a.m.	<b>Paladin Capital Markets Inc., John David Culp and Claudio Fernando Maya</b>	January 10, 12-21, January 26 – February 1, 2011 10:00 a.m.	<b>Maple Leaf Investment Fund Corp., Joe Henry Chau (aka: Henry Joe Chau, Shung Kai Chow and Henry Shung Kai Chow), Tulsiani Investments Inc., Sunil Tulsiani and Ravinder Tulsiani</b>
	s. 127 C. Price in attendance for Staff Panel: JEAT		s. 127 A. Perschy/C. Rossi in attendance for Staff Panel: TBA
November 30, 2010 2:30 p.m.	<b>Locate Technologies Inc., Tubtron Controls Corp., Bradley Corporate Services Ltd., 706166 Alberta Ltd., Lorne Drever, Harry Niles, Michael Cody and Donald Nason</b>	January 17-21, 2011 10:00 a.m.	<b>Merax Resource Management Ltd. carrying on business as Crown Capital Partners, Richard Mellon and Alex Elin</b>
	s. 127 A. Heydon in attendance for Staff Panel: JDC		s. 127 H. Craig in attendance for Staff Panel: TBA
December 2, 2010 9:30 a.m.	<b>Richvale Resource Corp., Marvin Winick, Howard Blumenfeld, Pasquale Schiavone, and Shafi Khan</b>	January 26, 2011 10:00 a.m.	<b>Rezwealth Financial Services Inc., Pamela Ramoutar, Chris Ramoutar, Justin Ramoutar, Tiffin Financial Corporation, Daniel Tiffin, 2150129 Ontario Inc. and Sylvan Blackett</b>
	s. 127(7) and 127(8) H. Craig in attendance for Staff Panel: TBA		s. 127(1) and (5) A. Heydon in attendance for Staff Panel: CSP
December 15-16, 2010 10:00 a.m.	<b>Questrade Inc.</b>	January 31 – February 7, February 9-18, February 23, 2011 10:00 a.m.	<b>Anthony Ianno and Saverio Manzo</b>
	s. 21.7 A. Heydon in attendance for Staff Panel: JDC/CSP		s. 127 and 127.1 A. Clark in attendance for Staff Panel: TBA



January 31, February 1-7 and 9-11, 2011	<b>Nest Acquisitions and Mergers, IMG International Inc., Caroline Myriam Frayssignes, David Pelcowitz, Michael Smith, and Robert Patrick Zuk</b>	March 1-7, 9-11, 21 and 23-31, 2011	<b>Paul Donald</b>  s. 127
10:00 a.m.	s. 37, 127 and 127.1  C. Price in attendance for Staff  Panel: TBA	10:00 a.m.	C. Price in attendance for Staff  Panel: TBA
February 11, 2011	<b>Shallow Oil &amp; Gas Inc., Eric O'Brien, Abel Da Silva, Gurdip Singh Gahunia aka Michael Gahunia and Abraham Herbert Grossman aka Allen Grossman</b>	March 7, 2011	<b>Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton</b>  s. 127
10:00 a.m.	s. 127(7) and 127(8)  M. Boswell in attendance for Staff  Panel: TBA	10:00 a.m.	H. Craig in attendance for Staff  Panel: TBA
February 14-18, February 23-28, March 7, March 9-11, March 28-31, 2011	<b>Agoracom Investor Relations Corp., Agora International Enterprises Corp., George Tsiolis and Apostolis Kondakos (a.k.a. Paul Kondakos)</b>	March 30, 2011	<b>Oversea Chinese Fund Limited Partnership, Weizhen Tang and Associates Inc., Weizhen Tang Corp., and Weizhen Tang</b>  s. 127 and 127.1
10:00 a.m.	s. 127  T. Center in attendance for Staff  Panel: TBA	10:00 a.m.	M. Britton in attendance for Staff  Panel: TBA
February 14-18, February 23- March 1, 2011	<b>Nelson Financial Group Ltd., Nelson Investment Group Ltd., Marc D. Boutet, Stephanie Lockman Sobol, Paul Manuel Torres, H.W. Peter Knoll</b>	TBA	<b>Yama Abdullah Yaqeen</b>  s. 8(2)  J. Superina in attendance for Staff  Panel: TBA
10:00 a.m.	s. 127  P. Foy in attendance for Staff  Panel: TBA	TBA	<b>Microsourceonline Inc., Michael Peter Anzelmo, Vito Curalli, Jaime S. Lobo, Sumit Majumdar and Jeffrey David Mandell</b>  s. 127  J. Waechter in attendance for Staff  Panel: TBA
February 25, 2011	<b>Hillcorp International Services, Hillcorp Wealth Management, Suncorp Holdings, 1621852 Ontario Limited, Steven John Hill, and Danny De Melo</b>	TBA	<b>Frank Dunn, Douglas Beatty, Michael Gollogly</b>  s. 127  K. Daniels in attendance for Staff  Panel: TBA
10:00 a.m.	s. 127  A. Clark in attendance for Staff  Panel: TBA	TBA	Panel: TBA

TBA	<p><b>Biovail Corporation, Eugene N. Melnyk, Brian H. Crombie, John R. Miszuk and Kenneth G. Howling</b></p> <p>s. 127(1) and 127.1</p> <p>J. Superina, A. Clark in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p><b>Goldbridge Financial Inc., Wesley Wayne Weber and Shawn C. Lesperance</b></p> <p>s. 127</p> <p>C. Johnson in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p><b>Global Partners Capital, Asia Pacific Energy Inc., 1666475 Ontario Inc. operating as "Asian Pacific Energy", Alex Pidgeon, Kit Ching Pan also known as Christine Pan, Hau Wai Cheung, also known as Peter Cheung, Tony Cheung, Mike Davidson, or Peter McDonald, Gurdip Singh Gahunia also known as Michael Gahunia or Shawn Miller, Basis Marcellinius Toussaint also known as Peter Beckford, and Rafique Jiwani also known as Ralph Jay</b></p> <p>s. 127</p> <p>M. Boswell in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p><b>Borealis International Inc., Synergy Group (2000) Inc., Integrated Business Concepts Inc., Canavista Corporate Services Inc., Canavista Financial Center Inc., Shane Smith, Andrew Lloyd, Paul Lloyd, Vince Villanti, Larry Haliday, Jean Breau, Joy Statham, David Prentice, Len Zielke, John Stephan, Ray Murphy, Alexander Poole, Derek Grigor and Earl Switenky</b></p> <p>s. 127 and 127.1</p> <p>Y. Chisholm in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p><b>FactorCorp Inc., FactorCorp Financial Inc. and Mark Twerdun</b></p> <p>s. 127</p> <p>C. Price in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p><b>Uranium308 Resources Inc., Michael Friedman, George Schwartz, Peter Robinson, and Shafi Khan</b></p> <p>s. 127</p> <p>M. Boswell in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p><b>MRS Sciences Inc. (formerly Morningside Capital Corp.), Americo DeRosa, Ronald Sherman, Edward Emmons and Ivan Cavric</b></p> <p>s. 127 and 127(1)</p> <p>D. Ferris in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p><b>Innovative Gifting Inc., Terence Lushington, Z2A Corp., and Christine Hewitt</b></p> <p>s. 127</p> <p>M. Boswell in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p><b>Goldpoint Resources Corporation, Lino Novielli, Brian Moloney, Evanna Tomeli, Robert Black, Richard Wylie and Jack Anderson</b></p> <p>s. 127(1) and 127(5)</p> <p>M. Boswell in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p><b>Gold-Quest International, 1725587 Ontario Inc. carrying on business as Health and Harmony, Harmony Club Inc., Donald Iain Buchanan, Lisa Buchanan and Sandra Gale</b></p> <p>s. 127</p> <p>H. Craig in attendance for Staff</p> <p>Panel: TBA</p>

TBA	<p><b>Lyndz Pharmaceuticals Inc., James Marketing Ltd., Michael Eatch and Rickey McKenzie</b></p> <p>s. 127(1) and (5)</p> <p>J. Feasby in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p><b>Global Energy Group, Ltd., New Gold Limited Partnerships, Christina Harper, Vadim Tsatskin, Michael Schaumer, Elliot Feder, Oded Pasternak, Alan Silverstein, Herbert Groberman, Allan Walker, Peter Robinson, Vyacheslav Brikman, Nikola Bajovski, Bruce Cohen and Andrew Shiff</b></p>
TBA	<p><b>M P Global Financial Ltd., and Joe Feng Deng</b></p> <p>s. 127 (1)</p> <p>M. Britton in attendance for Staff</p> <p>Panel: TBA</p>		<p>s. 37, 127 and 127.1</p> <p>H. Craig in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p><b>Peter Robinson and Platinum International Investments Inc.</b></p> <p>s. 127</p> <p>M. Boswell in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p><b>York Rio Resources Inc., Brillante Brasilcan Resources Corp., Victor York, Robert Runic, George Schwartz, Peter Robinson, Adam Sherman, Ryan Demchuk, Matthew Oliver, Gordon Valde and Scott Bassingdale</b></p> <p>s. 127</p> <p>H. Craig in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p><b>Sunil Tulsiani, Tulsiani Investments Inc., Private Investment Club Inc., and Gulfland Holdings LLC</b></p> <p>s. 127</p> <p>J. Feasby in attendance for Staff</p> <p>Panel: TBA</p>	TBA	<p><b>TBS New Media Ltd., TBS New Media PLC, CNF Food Corp., CNF Candy Corp., Ari Jonathan Firestone and Mark Green</b></p> <p>s. 127</p> <p>H. Craig in attendance for Staff</p> <p>Panel: TBA</p>
TBA	<p><b>Shane Suman and Monie Rahman</b></p> <p>s. 127 and 127(1)</p> <p>C. Price in attendance for Staff</p> <p>Panel: JEAT/PLK</p>		<p>Panel: TBA</p>
TBA	<p><b>Gold-Quest International, Health and Harmony, Iain Buchanan and Lisa Buchanan</b></p> <p>s. 127</p> <p>H. Craig in attendance for Staff</p> <p>Panel: JEAT/CSP/SA</p>		<p><b>Global Privacy Management Trust and Robert Cranston</b></p> <p><b>Livent Inc., Garth H. Drabinsky, Myron I. Gottlieb, Gordon Eckstein, Robert Topol</b></p> <p><b>Portus Alternative Asset Management Inc., Portus Asset Management Inc., Boaz Manor, Michael Mendelson, Michael Labanowich and John Ogg</b></p> <p><b>Maitland Capital Ltd., Allen Grossman, Hanouch Ulfan, Leonard Waddingham, Ron Garner, Gord Valde, Marianne Hyacinthe, Diana Cassidy, Ron Catone, Steven Lanys, Roger McKenzie, Tom Mezinski, William Rouse and Jason Snow</b></p>

**ADJOURNED SINE DIE**

**ADJOURNED SINE DIE**

LandBankers International MX, S.A. De C.V.;  
Sierra Madre Holdings MX, S.A. De C.V.; L&B  
LandBanking Trust S.A. De C.V.; Brian J. Wolf  
Zacarias; Roger Fernando Ayuso Loyo, Alan  
Hemingway, Kelly Friesen, Sonja A. McAdam, Ed  
Moore, Kim Moore, Jason Rogers and Dave  
Urrutia

Hollinger Inc., Conrad M. Black, F. David Radler,  
John A. Boulton and Peter Y. Atkinson

### 1.1.2 CSA Staff Notice 41-305 – Share Structure Issues – Initial Public Offerings

#### CANADIAN SECURITIES ADMINISTRATORS STAFF NOTICE 41-305 SHARE STRUCTURE ISSUES – INITIAL PUBLIC OFFERINGS

##### Purpose

Before issuing a receipt for a prospectus, staff of the Canadian Securities Administrators generally consider factors to assess whether a prospectus offering is contrary to the public interest.

We have encountered a number of initial public offerings (IPOs) by issuers with share structures that lead us to question whether those share structures are contrary to the public interest. In those cases, we generally recommend that the decision-maker refuse to issue a receipt for the prospectus.

This notice explains the factors we consider when assessing a proposed share structure in an IPO.

##### Background information

An IPO by a company that has already issued an unusually large number of shares for nominal cash consideration (or for assets or business development where the value is not readily supportable) may raise public interest concerns related to the company's capital structure. These concerns are heightened when:

- the business has a limited history of operations or development for which there are no other clear proxies for valuation,
- the IPO financing is relatively small.

We are concerned with these structures because:

- the large number of nominally priced shares can create a platform for future market manipulation, and
- the dilution of invested capital caused by existing shares issued for nominal amounts means that IPO investors receive an unconscionably low percentage of ownership compared to the amount of capital they are investing.

The TSX Venture Exchange and the CNSX have both published notices setting out guidelines that aimed to address these issues. We think the notices have addressed some of the issues. However, because we still encounter these issues, it is still appropriate for us to tell the market that we may also object to an issuer's share structure.

When we first issued National Policy 46-201 *Escrow for Initial Public Offerings* (NP 46-201) in 2002, we mentioned in our publication notices that issues associated with nominally-priced stock were better addressed by underwriters appropriately exercising their responsibilities related to IPO pricing and timing.

In addition, section 2.4 of NP 46-201 indicates that securities regulators will generally consider imposing additional escrow if:

- an underwriter has not signed the IPO prospectus;
- the issuer has not applied to have its securities listed on a Canadian exchange, or a Canadian exchange has not agreed to list the securities distributed under the IPO prospectus; or
- there are other exceptional circumstances.

The Notice we issued with NP 46-201 indicated that securities regulators would rely on management of the issuer, underwriters and stock exchanges to assess the appropriateness of share capital structures. That is still the case with the majority of issuers. However, our recent experience is that issuers still file prospectuses with capital structures that raise public interest concerns.

##### General

As structuring issues are complex, we consider many qualitative and quantitative factors when evaluating the acceptability of IPO share structures.

We consider how the IPO price compares to the average share price paid by the Founders<sup>1</sup>. We may object when the IPO price significantly exceeds the average price paid by the Founders. We are concerned with structures in which the Founders have paid a nominal amount for a large block of shares compared to the IPO price.

We assess the proportion of capital proposed to be contributed by the IPO purchasers in comparison to the percentage of ownership the IPO purchasers will receive in return. We may object when the IPO purchasers are being invited to contribute an amount of capital that will be significantly disproportionate to their equity interest on completion of the offering.

We consider the average capital contributed per share for all issued and outstanding shares on completion of the offering and compare it to the purchase price per share of the IPO. We may be concerned if a large block of Founders' shares issued for nominal amounts reduces the average capital contributed per share significantly in comparison to the IPO price.

Other factors considered in evaluating acceptable share structures include:

- *Prior development of business or concept:* If the Founders have spent time, effort or resources developing a business, then a structure containing significant Founders' shares may be appropriate. We would not normally object to these structures when they represent a realization of business development efforts or otherwise demonstrate value. We may request that the issuer explain and justify the size of the Founder's position and the discount it represents relative to the IPO price. We will consider relevant facts and circumstances, traditional valuation techniques that support the position, and other forms of third party corroboration of the value of the position such as significant pre-IPO arm's length financing activities.
- *Distribution of Founders' shares:* In some cases, some of the Founders may have received their shares at a significantly lower average price than other Founders. In these cases, we may be concerned with some of the Founders' shares but not others.
- *Cash invested by Founders and length of time invested:* Generally the greater the amount of cash the Founders have invested and the longer it has been actively used as part of the issuer's capital structure and development of its business, the more likely a given structure will be acceptable.
- *Warrants and options:* If there are significant convertible securities outstanding at exercise prices lower than the IPO price, we may include these securities in our analysis. If the number is large enough or the exercise price is low enough, the presence of these convertible securities may lead us to object to an otherwise acceptable share structure.

This CSA Staff Notice is not meant to provide certainty for every possible scenario and allow the reader to definitively determine if a given structure is acceptable or not. Rather it is intended to provide some insight regarding factors we consider when evaluating proposed share structures.

We will continue to monitor this issue and consider what further guidance or policy changes may be appropriate.

## Questions

Please refer your questions to any of the following people:

Andrew Richardson  
Deputy Director  
British Columbia Securities Commission  
(604) 899-6730  
Toll-free (800) 373-6393  
[arichardson@bcsc.bc.ca](mailto:arichardson@bcsc.bc.ca)

Allan Lim  
Manager  
British Columbia Securities Commission  
(604) 899-6780  
Toll-free (800) 373-6393  
[alim@bcsc.bc.ca](mailto:alim@bcsc.bc.ca)

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<sup>1</sup> Generally, the term "Founders" means anyone who is a director, officer, promoter or insider of the issuer. In some instances, Founders may be a subset of this group.

Patricia van de Sande  
Senior Securities Analyst  
Alberta Securities Commission  
(403) 355-4474  
[patricia.vandesande@asc.ca](mailto:patricia.vandesande@asc.ca)

Tony Herdzik  
Senior Securities Analyst  
Saskatchewan Financial Services Commission  
(306) 787-5849  
[tony.herdzik@gov.sk.ca](mailto:tony.herdzik@gov.sk.ca)

Wayne Bridgeman  
Senior Analyst  
The Manitoba Securities Commission  
(204) 945-4905  
Toll-free (800) 655-5244 (within Manitoba only)  
[wayne.bridgeman@gov.mb.ca](mailto:wayne.bridgeman@gov.mb.ca)

Michael Bennett  
Senior Legal Counsel, Corporate Finance  
Ontario Securities Commission  
(416) 593-8079  
[mbennett@osc.gov.on.ca](mailto:mbennett@osc.gov.on.ca)

Rick Whiler  
Senior Accountant, Corporate Finance  
Ontario Securities Commission  
(416) 593-8127  
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Benoit Dionne  
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Autorité des marchés financiers  
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Toll-free (877) 525-0337  
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Autorité des marchés financiers  
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Jeff Harriman  
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(506) 643-7856  
[jeff.harriman@nbsc-cvmnb.ca](mailto:jeff.harriman@nbsc-cvmnb.ca)

Kevin Redden  
Securities Analyst  
Nova Scotia Securities Commission  
(902) 424-5343  
[reddenkg@gov.ns.ca](mailto:reddenkg@gov.ns.ca)

**September 24, 2010**

**1.1.3 OSC Staff Notice 11-737 (Revised) – Securities Advisory Committee – Vacancies**

**OSC STAFF NOTICE 11-737 (REVISED)  
SECURITIES ADVISORY COMMITTEE – VACANCIES**

The Commission formally established the Securities Advisory Committee to the Commission ("SAC") many years ago. SAC meets on a regular basis, generally monthly, and provides advice to the Commission and staff on a variety of matters including policy initiatives and capital markets trends. SAC also provides advice and comments on legal, regulatory and market implications of any aspect of Commission rules, policies, operations, and administration. In addition, SAC is expected to provide general advisory services to the Commission and staff on an informal basis relating to emerging trends in the marketplace. The Commission is now looking for eight prospective candidates to serve on SAC beginning in January, 2011. Four of these candidates will serve two year terms and four candidates will serve three year terms. The staggered terms will facilitate a transition to a regular turnover of one-third of SAC members each calendar year.

Those who make a commitment to serve on SAC must be in a position to devote the time necessary to attend meetings, be an active participant, and undertake the work involved, which sometimes must be dealt with on an urgent basis. SAC members must have an excellent knowledge of the legislation and policies for which the Commission is responsible, and have significant practice experience in the securities area. Expertise in an area of special interest to the Commission at the time an appointment is made will also be a factor in selection. SAC members are expected to have excellent technical abilities and a strong interest in the development of securities regulatory policy. The prospective candidates are encouraged to review OSC Policy 11-601 for further information about SAC.

Individual practitioners, with the support of their firms/employers, are invited to apply in writing for membership on SAC to the Office of the General Counsel of the Commission, indicating areas of practice and relevant experience.

SAC's membership currently consists of eleven Ontario solicitors practising in the area of securities law plus one U.S. securities lawyer. SAC members whose terms continue through January 2012 are:

- Georges Dubé Fasken Martineau DuMoulin LLP
- Glen R. Johnson Torys LLP
- Tracey Kernahan Ogilvy Renault LLP
- Stephen Solursh Ontario Teachers' Pension Plan
- Rob Lando Osler, Hoskin & Harcourt LLP

The Commission wishes to thank the following members whose terms will expire at the end of December 2010:

- John Ciardullo Stikeman Elliott LLP
- Pamela Hughes Blake, Cassels & Graydon LLP
- Charles MacCready Heenan Blaikie LLP
- Vincent Mercier Davies Ward Phillips & Vineberg LLP
- Thomas Smee Royal Bank of Canada
- Jenny Chu Steinberg Gowling Lafleur Henderson LLP
- Jennifer Wainwright Aird & Berlis LLP

The Commission is very grateful to outgoing members for their able assistance and valuable input.

Applications for SAC membership will be considered if received on or before October 22, 2010. Applications should be submitted in writing to:



Monica Kowal  
General Counsel  
Ontario Securities Commission  
20 Queen Street West  
19th Floor, Box 55  
Toronto, Ontario  
M5H 3S8  
Tel: (416) 593-3653  
Fax: (416) 593-3681  
mkowal@osc.gov.on.ca

**September 24, 2010**

1.2 Notices of Hearing

1.2.1 Albert Leslie James et al. – ss. 127(1), 127.1

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

**AND**

**IN THE MATTER OF  
ALBERT LESLIE JAMES, EZRA DOUSE  
AND DOMINION INVESTMENTS CLUB INC.**

**NOTICE OF HEARING  
(Subsections 127(1) and 127.1)**

**TAKE NOTICE** that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to section 127(1) and 127.1 of the *Securities Act*, R.S.O., 1990 c. S.5, as amended (the "Act") at its offices at 20 Queen Street West, 17th Floor, Toronto, Ontario, on September 20, 2010 at 9:00 a.m. or as soon thereafter as the hearing can be held;

**AND TAKE NOTICE** that the purpose of the hearing is for the Commission to consider whether it is in the public interest to approve the Settlement Agreement dated September 16, 2010 between Staff of the Commission and Albert Leslie James, Ezra Douse and Dominion Investments Club Inc. (the "Respondents");

**BY REASON OF** the allegations set out in the Statement of Allegations dated March 12, 2010 and such additional allegations as counsel may advise and the Commission may permit;

**AND TAKE FURTHER NOTICE** that any party to the proceedings may be represented by counsel at the hearing; and

**AND TAKE FURTHER NOTICE** that upon failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party and such party is not entitled to any further notice of the proceeding.

**DATED** at Toronto this 17th day of September, 2010.

"Daisy Aranha"

Per: John Stevenson  
Secretary to the Commission

1.2.2 Abel Da Silva

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

**AND**

**IN THE MATTER OF  
ABEL DA SILVA**

**NOTICE OF HEARING**

**TAKE NOTICE THAT** the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") at the offices of the Commission, 20 Queen Street West, 17th Floor, Large Hearing Room, on October 5, 2010 at 10 a.m., or as soon thereafter as the hearing can be held:

**AND TAKE NOTICE** that the purpose of the hearing is to consider whether, pursuant to section 127 of the Act, including subsections 127.1 and 127(10), it is in the public interest for the Commission to make an order that:

- (a) pursuant to clause 2 of subsection 127(1), trading in any securities by Abel Da Silva (the "Respondent") cease permanently or for such other period as specified by the Commission;
- (b) pursuant to clause 2.1 of subsection 127(1), acquisition of any securities by the Respondent is prohibited, permanently or for the period specified by the Commission;
- (c) pursuant to clause 3 of subsection 127(1), any exemptions contained in Ontario securities law do not apply to the Respondent, permanently or for such other period as specified by the Commission;
- (d) pursuant to clause 6 of subsection 127(1), the Respondent be reprimanded;
- (e) pursuant to clause 8 of subsection 127(1), the Respondent be prohibited from becoming or acting as a director or officer of any issuer, permanently or for such other period as specified by the Commission;
- (f) pursuant to clause 8.2 of subsection 127(1), the Respondent is prohibited from becoming or acting as a director or officer of a registrant, permanently or for such other period as specified by the Commission;
- (g) pursuant to clause 8.4 of subsection 127(1), the Respondent is prohibited from becoming or acting as a director or officer of an investment fund manager, permanently or for such other period as specified by the Commission;
- (h) pursuant to clause 8.5 of subsection 127(1), the Respondent is prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter, permanently or for such other period as specified by the Commission;
- (i) pursuant to clause 9 of subsection 127(1), the Respondent pay, to the Commission, an administrative penalty of not more than \$1 million for each failure to comply with Ontario securities law;
- (j) pursuant to clause 10 of subsection 127(1), the Respondent disgorge to the Commission any amounts obtained as a result of non-compliance with securities law;
- (k) pursuant to section 127.1, the Respondent pay the costs of the investigation and the costs of or related to the hearing incurred by or on behalf of the Commission; and,
- (l) such other order as the Commission may consider appropriate.

**BY REASON OF** the allegations set out in the Amended Statement of Allegations of Staff dated September 20, 2010, and such additional allegations as counsel may advise and the Commission may permit;

**AND FURTHER TAKE NOTICE** that any party to the proceeding may be represented by counsel if that party attends or submits evidence at the hearing;

**AND FURTHER TAKE NOTICE** that if the Respondent fails to attend, the hearing may proceed in the absence of the Respondent and the Respondent is not entitled to any further notice of the proceeding.

**DATED** at Toronto this 20th day of September, 2010.

“John Stevenson”

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

**AND**

**IN THE MATTER OF  
ABEL DA SILVA**

**NOTICE OF HEARING**

**AMENDED STATEMENT OF ALLEGATIONS  
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission ("Staff") make the following allegations:

**I. THE RESPONDENT**

1. Abel Da Silva ("Da Silva") is an individual who resides in the City of Toronto.

**II. BACKGROUND TO ALLEGATIONS**

• **2004 Allegations and 2006 Sanctions Against Da Silva**

2. Da Silva was a Respondent, along with three other individuals, before the Ontario Securities Commission (the "Commission") as a result of a statement of allegations filed by Staff on November 4, 2004 (the "2004 Allegations"). In the 2004 Allegations, Staff alleged that Da Silva and the other Respondents violated Ontario securities law and acted contrary to the public interest.

3. On January 13, 2005, a pre-hearing conference was held with respect to the 2004 Allegations (the "Conference"). Counsel for Da Silva attended the Conference. As a result of the Conference, the Commission ordered that the hearing on the merits would be held May 24, 2005 through to May 27, 2005 (the "Merits Hearing").

4. The Merits Hearing was heard by the Commission on May 24, 25, 26, and 27, 2005. Da Silva failed to appear at the hearing on the merits and was not represented by counsel.

5. On October 12, 2005, the Commission released its Decision and Reasons with respect to the Merits Hearing (the "Merits Decision").

6. In the Merits Decision, the Commission concluded that Da Silva had been served with the notice of the Merits Hearing and the 2004 Allegations and had chosen not to appear.

7. In the Merits Decision, the Commission also found that Da Silva had violated sections 25(1) and 53 of the Act and had engaged in conduct contrary to the public interest. As a result of the Merits Decision, the Commission ordered a hearing relevant to the matter of sanctions.

8. On January 9, 2006, Da Silva attended before the Commission on the hearing with respect to the question of sanctions as a result of the Merits Decision (the "Sanctions Hearing"). Da Silva was not represented by counsel at the Sanctions Hearing.

9. During the Sanctions Hearing on January 9, 2006, Da Silva made the following misleading statements to the Commission:

- a. That he had not worked for a year-and-a-half;
- b. That he had been very ill and that he may never be able to work again;
- c. That he can't do anything;
- d. That he couldn't write a cheque for \$7,500.00 (for costs);
- e. That he couldn't "even find a job now" and he couldn't "even find a labour job now."; and,
- f. That if the Commission ordered him to pay costs in the amount of \$7,500.00 he would have to go on welfare.

10. The Commission released its Decision on Sanctions and Reasons with respect to Da Silva and the other respondents in the matter on May 10, 2006 (the "Sanctions Decision") and the Commission made an Order against Da Silva and the other Respondents on May 10, 2006 (the "2006 Order").

11. In the Sanctions Decision, the Commission took into account the submissions made by Da Silva during the Sanctions Hearing and, at paragraph 46 of the Sanctions Decision, the Commission referred to Da Silva's submissions when they stated,

"Da Silva submitted that he is in poor health and has no future intention of working in the securities industry. He also submitted that he is impecunious and would be unable to afford the \$7,500 costs."

12. In the 2006 Order, the Commission ordered the following sanctions against Da Silva:

- (a) that pursuant to s. 127(1), clause 2 of the Act, trading, directly or indirectly, in any securities by Da Silva, for his own account or for the account of others, cease for a period of seven years, with the exception that Da Silva be permitted to trade in securities for his own account or for the account of a registered retirement savings plan (as defined in the *Income Tax Act* (Canada)) in which he has sole legal and beneficial ownership and interest, provided that:
  - (i) the securities are listed and posted for trading on the Toronto Stock Exchange or the New York Stock Exchange (or their successor exchanges) or are issued by a mutual fund which is a reporting issuer;
  - (ii) Da Silva does not own legally or beneficially more than one per cent of the outstanding securities of the class or series of the class in question; and
  - (iii) Da Silva must carry out permitted trading through a registered dealer and through accounts opened in his name only and must close any accounts in which he has any legal or beneficial ownership or interest that were not opened in his name only;
- (b) that pursuant to s. 127(1), clause 3 of the Act, any exemptions contained in Ontario securities law do not apply to Da Silva for a period of seven years, except for those exemptions necessary to enable Da Silva to trade in securities as permitted by paragraph 59a of this Order; and
- (c) that pursuant to s. 127.1(1) of the Act, Da Silva pay the costs of the Commission investigation in the amount of \$7,500.

11. Paragraph (a), above, sets out the terms and conditions of cease trade order made by the Commission against Da Silva (the "2006 Cease Trade Order").

- **2007 Examination In The Matter of Limelight Entertainment Inc.**

12. On September 14, 2007, Da Silva was examined, under oath, by Staff of the Commission in connection with Staff's investigation into the activities of Limelight Entertainment Inc., Carlos Da Silva, David C. Campbell, Jacob Moore and Joseph Daniels (the "September 2007 Examination"). During the September 2007 Examination, Da Silva advised Staff of the following:

- a) That he worked for Limelight Entertainment between December, 2005 and May, 2006;
- b) That he was paid commission by Limelight;
- c) That he was not selling securities in the course of his employment by Limelight;
- d) That he spent a lot of time on the phone and going to meetings while employed by Limelight;
- e) That the payments from Limelight went to the bank account of his company, Premium Resource Marketing Inc. ("Premium");
- f) That he earned at least \$17,756.00 over a period of four or five months leading up to April of 2006;

13. These statements by Da Silva reveal the misleading nature of Da Silva's statements made to the Commission during the Sanctions Hearing.

- **The Al-tar Investigation**

14. Also in 2007, Staff began an investigation into the activities of Al-tar Energy Corp. ("Al-tar"), Alberta Energy Corp. ("Alberta EC") and the persons and corporations connected with Al-tar and Alberta EC (the "Al-tar Investigation").

15. During the course of the Al-tar investigation, Staff obtained the banking records of Premium and Da Silva's personal accounts at TD Canada Trust ("TD") and CIBC.

16. Premium was incorporated on November 22, 2005 by Da Silva. The registered address of Premium was care of Abel Da Silva, 51 Eastpark Boulevard, Scarborough, Ontario, M1H 1C6. Da Silva was listed as the sole director of Premium. There are no other employees of Premium.

17. The TD banking records indicate that account number 5212041 is an account in the name of Premium (the "Premium TD Account") and the sole signatory is Da Silva.

18. The banking records for the Premium TD Account show that on January 9, 2006, the day that Da Silva made submissions to the Commission during the Sanctions Hearing, the balance in the Premium TD Account was \$16,793.48.

19. The Premium TD Account had a balance of \$30,608.04 on May 10, 2006, the day that the Commission released its Sanctions Decision and the 2006 Order.

20. On December 18, 2007, Da Silva swore an affidavit in connection with the Al-tar investigation. In that affidavit, Da Silva confirms that between July, 2006 and December, 2006, he was paid \$207,000 in consulting fees by Al-tar.

21. Da Silva has still not paid the Commission's costs order as set out in the Sanctions Decision and the 2006 Order.

- **The Colby Cooper Inc. Investigation, Prosecution, and Conviction**

22. Between April 23, 2007 and August 21, 2007, Da Silva traded the securities of a company called Colby Cooper Inc. to twenty-seven investors and received over \$45,000 in compensation for those sales.

23. On October 23, 2008, a member of Staff swore an Information (the "Information"), under section 23 of the *Provincial Offences Act*, R.S.O. 1990, c. P.33, as amended (the "POA"), alleging Da Silva contravened Ontario securities laws contrary to section 122(1)(c) of the Act. The Information specifically alleged the following charge (the "Charge"):

Abel Da Silva, of 51 Eastpark Boulevard, Toronto, Ontario, during a 120 day period last, past and ending on or about the 21st day of August, 2007 at metro Toronto in the Toronto Region did commit the offence of contravening Ontario Securities Laws by trading in securities of Colby Cooper Inc, at a time when he was prohibited from trading in securities by Order of the Ontario Securities Commission dated May 10, 2006, contrary to the Securities Act of Ontario section 122(1)(c).

24. On June 4, 2010, Da Silva appeared before Her Worship Justice of the Peace Wassenaar and entered a guilty plea to the Charge.

25. On September 1st, 2010, Da Silva was sentenced to imprisonment for 75 days and to probation for two years with conditions.

### III. STAFF'S ALLEGATIONS

26. The specific allegations advanced by Staff are:

- a. On January 9, 2006, Da Silva made statements to the Commission with respect to his employment history and his financial situation, that, in a material respect and at the time and in light of the circumstances under which they were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading, contrary to section 122(1)(a) of the Act and contrary to the public interest; and,
- b. Between and including April 23, 2007 and August 21, 2007, Da Silva breached the Sanctions Decision and the 2006 Cease Trade Order of the Commission by trading securities of Colby Cooper Inc., contrary to section 122(1)(c) of the Act and contrary to the public interest.

27. Pursuant to subsections 127(10) 1. and 127(10) 2. of the Act, the June 4, 2010 conviction of Da Silva for an offence related to securities may form the basis of an order in the public interest in Ontario under subsection 127(1) of the Act.

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

**DATED** the 20th day of September, 2010.



1.4 Notices from the Office of the Secretary

1.4.1 Locate Technologies Inc. et al.

**FOR IMMEDIATE RELEASE**  
September 16, 2010

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

**AND**

**IN THE MATTER OF  
LOCATE TECHNOLOGIES INC.,  
TUBTRON CONTROLS CORP.,  
BRADLEY CORPORATE SERVICES LTD.,  
706166 ALBERTA LTD., LORNE DREVER,  
HARRY NILES, MICHAEL CODY AND  
DONALD NASON**

**TORONTO** – The Commission issued an order in the above named matter, which provides that, this matter be set down for a hearing on the merits on November 30, 2010 at 2:30 p.m.; Staff and the Respondents may make written submissions prior to the hearing on the merits; and the Respondents may attend the hearing on the merits via teleconference and both Staff and the Respondents may make further brief submissions.

A copy of the Order dated September 14, 2010 is available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

OFFICE OF THE SECRETARY  
JOHN P. STEVENSON  
SECRETARY

For media inquiries:

Wendy Dey  
Director, Communications & Public Affairs  
416-593-8120

Theresa Ebdon  
Senior Communications Specialist  
416-593-8307

Robert Merrick  
Senior Communications Specialist  
416-593-2315

For investor inquiries:

OSC Contact Centre  
416-593-8314  
1-877-785-1555 (Toll Free)

1.4.2 Albert Leslie James et al.

**FOR IMMEDIATE RELEASE**  
September 17, 2010

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

**AND**

**IN THE MATTER OF  
ALBERT LESLIE JAMES, EZRA DOUSE  
AND DOMINION INVESTMENTS CLUB INC.**

**TORONTO** – The Office of the Secretary issued a Notice of Hearing for a hearing to consider whether it is in the public interest to approve a settlement agreement entered into by Staff of the Commission and Albert Leslie James, Ezra Douse and Dominion Investments Club Inc. The hearing will be held on September 20, 2010 at 9:00 a.m. in Hearing Room B on the 17th floor of the Commission's offices located at 20 Queen Street West, Toronto.

A copy of the Notice of Hearing dated September 17, 2010 is available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

OFFICE OF THE SECRETARY  
JOHN P. STEVENSON  
SECRETARY

For media inquiries:

Wendy Dey  
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416-593-8120

Theresa Ebdon  
Senior Communications Specialist  
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Robert Merrick  
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416-593-2315

For investor inquiries:

OSC Contact Centre  
416-593-8314  
1-877-785-1555 (Toll Free)

**1.4.3 Albert Leslie James et al.**

**FOR IMMEDIATE RELEASE  
September 20, 2010**

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

**AND**

**IN THE MATTER OF  
ALBERT LESLIE JAMES, EZRA DOUSE  
AND DOMINION INVESTMENTS CLUB INC.**

**TORONTO** – Following a hearing held today, the Commission issued an Order approving the Settlement Agreement reached between Staff of the Commission and Albert Leslie James, Ezra Douse and Dominion Investments Club Inc.

A copy of the Order dated September 20, 2010 and Settlement Agreement dated September 17, 2010 are available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

OFFICE OF THE SECRETARY  
JOHN P. STEVENSON  
SECRETARY

For media inquiries:

Wendy Dey  
Director, Communications & Public Affairs  
416-593-8120

Theresa Ebdon  
Senior Communications Specialist  
416-593-8307

Robert Merrick  
Senior Communications Specialist  
416-593-2315

For investor inquiries:

OSC Contact Centre  
416-593-8314  
1-877-785-1555 (Toll Free)

**1.4.4 Abel Da Silva**

**FOR IMMEDIATE RELEASE  
September 21, 2010**

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

**AND**

**IN THE MATTER OF  
ABEL DA SILVA**

**TORONTO** – The Office of the Secretary issued a Notice of Hearing setting the matter down to be heard on October 5, 2010, at 10:00 a.m. or as soon thereafter as the hearing can be held in the above named matter.

A copy of the Notice of Hearing dated September 20, 2010 and Amended Statement of Allegations of Staff of the Ontario Securities Commission dated September 20, 2010 are available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

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**1.4.5 Agoracom Investor Relations Corp. et al.**

**FOR IMMEDIATE RELEASE  
September 22, 2010**

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

**AND**

**IN THE MATTER OF  
AGORACOM INVESTOR RELATIONS CORP.,  
AGORA INTERNATIONAL ENTERPRISES CORP.,  
GEORGE TSIOLIS AND APOSTOLIS KONDAKOS  
(a.k.a. PAUL KONDAKOS)**

**TORONTO** – The Commission issued an Order in the above named matter which provides that a further confidential pre-hearing conference be held on November 10, 2010 at 10:00 a.m., or such further or other date as shall be agreed to by the parties and fixed by the Office of the Secretary.

A copy of the Order dated September 21, 2010 is available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

OFFICE OF THE SECRETARY  
JOHN P. STEVENSON  
SECRETARY

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## Chapter 2

# Decisions, Orders and Rulings

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### 2.1 Decisions

#### 2.1.1 Zongshen PEM Power Systems Inc.

##### Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency, section 9.1 – An issuer wants relief from the requirement to audit acquisition statements in accordance with Canadian or U.S. GAAS; the issuer acquired or will acquire a business whose historical financial statements have not been audited in accordance with Canadian or U.S. GAAS; the acquired business' financial statements have been audited in accordance with International Standards on Auditing; for various reasons, it would be impractical to re-audit the business' financial statements in accordance with Canadian or U.S. GAAS; the audit report will be accompanied by a statement by the auditor that describes any material differences in the form of report as compared to a Canadian GAAS audit report, and indicates that its report would not contain a reservation if it were prepared in accordance with Canadian GAAS.

##### Applicable Legislative Provisions

National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency, s. 9.1.

September 10, 2010

**IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA AND ONTARIO  
(the Jurisdictions)**

AND

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

AND

**IN THE MATTER OF  
ZONGSHEN PEM POWER SYSTEMS INC.  
(the Filer)**

**DECISION**

##### Background

1 he securities regulatory authority or regulator in each of the Jurisdictions (Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) that the Filer be exempted from complying with the requirement in section 6.2 of National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (NI 52-107), under which the financial statements of an acquired company that are included in a business acquisition report filed under section 8.2 of National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) must be audited in accordance with Canadian or United States generally accepted auditing standards (the Exemption Sought).

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

- (a) he British Columbia Securities Commission is the principal regulator for this application;
- (b) he Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* ("MI 11-102") is intended to be relied upon in Alberta; and

- (c) he decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

### **Interpretation**

2 Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning as is used in this decision, unless otherwise defined.

### **Representations**

- 3 This decision is based on the following facts represented by the Filer:
1. the Filer is a company incorporated under the laws of British Columbia;
  2. the Filer's registered and head office is in Vancouver, British Columbia;
  3. the Filer manufactures gas and electric motorcycles and electric bicycles in China for the Chinese domestic and international markets;
  4. the Filer is a reporting issuer in British Columbia, Alberta and Ontario, and is not in default of securities legislation in any jurisdiction;
  5. the Filer's common shares are listed on the Toronto Stock Exchange under the symbol "ZPP";
  6. the Filer's annual financial statements are prepared in accordance with Canadian GAAP and are audited in accordance with Canadian GAAS;
  7. as disclosed in a news release dated January 4, 2010 and a material change report dated January 4, 2010, the Filer entered into an agreement to acquire 49% of the equity interest of Chongqing Zongshen Automobile Industry Co., Ltd. (Automobile Industry) and 100% of the equity interest of Chongqing Zongshen Automobile Air Intake System Manufacturing Co., Ltd. (Air Intake);
  8. as part of the acquisition, the parties also agreed to enter into a series of agreements which would permit the Filer to (a) fully administer Automobile Industry, (b) obtain the economic benefit from the remaining 51% of the equity of Automobile Industry not acquired by the Applicant (the Remaining Equity), and (c) acquire such Remaining Equity for nominal consideration at such time as is legally permissible (the entering into of such agreements and the acquisition of the equity of Automobile Industry and Air Intake, the Transaction);
  9. as disclosed in a news release dated July 5, 2010 and a material change report dated July 9, 2010, the Transaction was completed on July 2, 2010;
  10. both Automobile Industry and Air Intake are corporations incorporated under the laws of the People's Republic of China, domiciled in China and are not public companies;
  11. the auditor of Automobile Industry and Air Intake is PricewaterhouseCoopers Zhong Tian CPAs Limited Company (the Auditor), which is based in China;
  12. the Auditor has represented to the Filer that it has expertise and experience in International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB);
  13. the combined annual financial statements of Automobile Industry and Air Intake have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and audited in accordance with ISA issued by the IAASB;
  14. the Transaction was a "significant acquisition" for the Filer, within the meaning of section 8.3 of NI 51-102, for which the Filer is required to file a business acquisition report (BAR) in accordance with section 8.2 of NI 51-102;
  15. under section 8.4 of NI 51-102, certain historical audited annual financial statements and unaudited interim financial statements of Automobile Industry and Air Intake are required to be included in the BAR;
  16. the Filer will include the following financial statements of Automobile Industry and Air Intake in the BAR:

## Decisions, Orders and Rulings

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- (a) audited annual combined financial statements and notes for Automobile Industry and Air Intake for the financial year ended December 31, 2009, together with the auditor's report (the Audited Financial Statements); and
  - (b) unaudited interim combined financial statements and notes of Automobile Industry and Air Intake for the six months ended June 30, 2010;
17. the Audited Financial Statements have been prepared in accordance with IFRS issued by the IASB and audited in accordance with ISA issued by the IAASB;
18. section 6.2 of NI 52-107 does not permit the Filer to file the Audited Financial Statements audited in accordance with ISA as the Filer is not a "foreign issuer" within the meaning of NI 52-107; and
19. the Filer will include in the BAR clear disclosure as to the basis of presentation of the Audited Financial Statements and that they have been audited in accordance with ISA issued by the IAASB.

### Decision

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

The decision of the Decision Makers under the Legislation is that the Exemption Sought is granted provided that:

- (a) the Audited Financial Statements are audited in accordance with ISA issued by the IAASB;
- (b) the auditor's report accompanying the Audited Financial Statements contains or is accompanied by a statement by the auditor that:
  - (i) describes any material differences in the form and content of the auditor's report prepared in accordance with ISA as compared to an auditor's report prepared in accordance with Canadian GAAS; and
  - (ii) indicates that an auditor's report prepared in accordance with Canadian GAAS would not contain a reservation.

"Martin Eady, CA"  
Director, Corporate Finance  
British Columbia Securities Commission

## 2.1.2 BNS Split Corp. II

### Headnote

National Policy 11-203 – Process for Exemptive Relief Applications in Multiple Jurisdictions – Exemptive relief granted to an exchange traded fund from certain mutual fund requirements and restrictions on calculation and payment of redemptions in connection with offering of Class B preferred shares – Since investors will generally buy and sell units through the TSX, there are adequate protections and it would not be prejudicial to investors – National Instrument 81-102 – Mutual Funds.

### Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 10.3, 10.4(1).

September 15, 2010

**IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
ONTARIO  
(the “Jurisdiction”)**

**AND**

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

**AND**

**IN THE MATTER OF  
BNS SPLIT CORP. II  
(the “Filer”)**

**DECISION**

### Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the “**Legislation**”) for exemption (the “**Exemption Sought**”) from the following sections of National Instrument 81-102 *Mutual Funds* (“**NI 81-102**”) (collectively, “**the NI 81-102 Requirements**”) with respect to the Class B Preferred Shares, Series 1 (the “**Series 1 Preferred Shares**”) proposed to be issued by the Filer as described in a preliminary prospectus dated August 11, 2010 (the “**Preliminary Prospectus**”):

- (a) section 10.3, which requires that the redemption price of a security of a mutual fund to which a redemption order pertains shall be the net asset value of a security of that class, or series of class, next determined after the receipt by the mutual fund of the order; and
- (b) subsection 10.4(1), which requires that a mutual fund shall pay the redemption price for securities

that are the subject of a redemption order within three business days after the date of calculation of the net asset value per security used in establishing the redemption price (“**Exemption Sought**”).

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

- (a) the Ontario Securities Commission is the principal regulator for this application, and
- (b) the Filer has provided notice that section 4.7(1) of Multinational Instrument 11-102 *Passport System* (“**MI 11-102**”) is intended to be relied upon in the jurisdictions of British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador.

### Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision unless otherwise defined.

### Representations

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

### The Filer

1. The Filer was incorporated under the *Business Corporations Act* (Ontario) on February 28, 2005 and completed its initial public offering of Class A Capital Shares and Class A Preferred Shares. The Filer’s head office is located in Toronto, Ontario. The Filer is not in default of securities legislation in any province of Canada.
2. On April 29, 2010, the holders of the Class A Capital Shares approved a share capital reorganization (the “**Reorganization**”). The Reorganization will permit holders of Class A Capital Shares to extend their investment in the Filer beyond the redemption date of September 22, 2010 for an additional 5 years. The Reorganization also provides holders of Class A Capital Shares with a special right of retraction (the “**Special Retraction Right**”) to replace the originally scheduled final redemption. Under the Reorganization, holders of Class A Capital Shares who do not wish to extend their investment may choose to have their shares redeemed on September 22, 2010. If the Reorganization is not implemented, the Special Retraction Right will not become effective and the Class A Capital Shares will be redeemed by the Filer on September 22, 2010 in accordance with their terms.
3. The Series 1 Preferred Shares are being offered in order to maintain the leveraged “split share”



structure of the Filer and will be issued on September 22, 2010 (the “**Offering**”) such that there will be twice the number of Class A Capital Shares as Series 1 Preferred Shares outstanding on and after September 22, 2010.

4. The Filer will make the Offering to the public pursuant to a final prospectus (the “**Final Prospectus**”) in respect of which the Preliminary Prospectus has already been filed.
5. The Class A Capital Shares will continue to be listed and posted for trading on The Toronto Stock Exchange (the “**TSX**”) and the Series 1 Preferred Shares are expected to be listed and posted for trading on the TSX. An application requesting conditional listing approval has been made by the Filer to the TSX.
6. The primary undertaking of the Filer is to invest in the common shares of The Bank of Nova Scotia (the “**BNS Shares**”) in order to generate fixed cumulative preferential distributions for the holders of the Filer’s Series 1 Preferred Shares and to enable the holders of the Filer’s Class A Capital Shares to participate in any capital appreciation in the BNS Shares. The BNS Shares will be the only material assets of the Filer.
7. The net proceeds of the Offering (after deducting the agents’ fees and expenses of the issue), depending upon the number and value of Class A Capital Shares redeemed pursuant to the Special Retraction Right, will be used by the Filer to fund the redemption of all of the issued and outstanding Class A Preferred Shares of the Filer on September 22, 2010 as well as those Class A Capital Shares being redeemed pursuant to the Special Retraction Right together, with the net proceeds from the sale of a portion of the portfolio, if necessary.
8. It will be the policy of the Filer to hold the BNS Shares and to not engage in any trading of the BNS Shares, except:
  - (i) to fund retractions or redemptions of Class A Capital Shares and Series 1 Preferred Shares;
  - (ii) following receipt of stock dividends on the BNS Shares;
  - (iii) in the event of a take-over bid for any of the BNS Shares;
  - (iv) if necessary, to fund any shortfall in the distribution on Series 1 Preferred Shares; and
  - (v) to meet obligations of the Filer in respect of liabilities including extraordinary liabilities.

9. Series 1 Preferred Share distributions will be funded primarily from the dividends received on the BNS Shares. If necessary, any shortfall in the distributions on the Series 1 Preferred Shares will be funded with proceeds from the sale of BNS Shares, or, if determined appropriate by the Board of Directors, premiums earned from writing covered call options on BNS Shares.
10. The record date for the payment of Series 1 Preferred Share distributions, Class A Capital Share dividends or other distributions of the Filer will be set in accordance with the applicable requirements of the TSX.
11. The Class A Capital Shares and Series 1 Preferred Shares may be surrendered for retraction at any time. Retraction payments for Class A Capital Shares and Series 1 Preferred Shares will be made on the Retraction Payment Date (as defined in the Preliminary Prospectus) provided the Class A Capital Shares and the Series 1 Preferred Shares have been surrendered for retraction no later than the 8th day of that month. While the Filer’s Unit Value (as defined in the Preliminary Prospectus) is calculated weekly, the retraction price for the Class A Capital Shares and the Series 1 Preferred Shares will be determined based on the Unit Value in effect as at the Valuation Date (as defined in the Preliminary Prospectus).
12. Any Class A Capital Shares and Series 1 Preferred Shares outstanding on September 22, 2015 will be redeemed by the Filer on such date.

**Decision**

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator is that the Exemption Sought is granted as follows:

- (a) section 10.3 – to permit the Filer to calculate the retraction price for the Series 1 Preferred Shares in the manner described in the Preliminary Prospectus and on the applicable Valuation Date as defined in the Preliminary Prospectus; and
- (b) subsection 10.4(1) – to permit the Filer to pay the retraction price for the Series 1 Preferred Shares on the Retraction Payment Date, as defined in the Preliminary Prospectus;

“Vera Nunes”  
Assistant Manager, Investment Funds  
Ontario Securities Commission

**2.1.3 BNS Split Corp. II and Scotia Capital Inc.**

**Headnote**

National Policy 11-203 – Process for Exemptive Relief Applications in Multiple Jurisdictions – subdivided offering – the prohibitions contained in the Legislation against trading in portfolio shares by persons or companies having information concerning the trading programs of mutual funds shall not apply to the administrator with respect to certain principal trades with the issuer in securities comprising the Issuer’s portfolio – Issuer’s portfolio consisting of shares of the Bank of Nova Scotia.

**Applicable Legislative Provisions**

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 119, 121(2)(a)(ii).

September 14, 2010

IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
ONTARIO  
(the “Jurisdiction”)

AND

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

AND

IN THE MATTER OF  
BNS SPLIT CORP. II  
(the “Filer”)

AND

SCOTIA CAPITAL INC.  
(“Scotia Capital”)

DECISION

**Background**

The principal regulator in the Jurisdiction has received an application from the Filer and Scotia Capital for a decision under the securities legislation of the Jurisdiction of the principal regulator (the “**Legislation**”) for an exemption from the principal trading prohibitions (the “**Exemption Sought**”) pursuant to Section 119 of the *Securities Act* (Ontario) (the “**OSA**”) and the corresponding provisions in the provincial securities legislation of each of the Provinces of Alberta, Saskatchewan, Newfoundland and Labrador, and Nova Scotia prohibiting trading in portfolio shares by persons or companies having information concerning the trading programs of mutual funds (the “**Principal Trading Prohibitions**”) shall not apply to Scotia Capital in connection with Principal Purchases (defined below) with respect to the public offering (the “**Offering**”) of Class B

Preferred Shares, Series 1 (the “**Series 1 Preferred Shares**”) of the Filer.

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

- (a) the Ontario Securities Commission is the principal regulator for this application; and
- (b) the Filer has provided notice that section 4.7(1) of Multinational Instrument 11-102 *Passport System* (“**MI 11-102**”) is intended to be relied upon in the jurisdictions of Alberta, Saskatchewan, Nova Scotia and Newfoundland and Labrador.

**Interpretation**

Defined terms contained in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision unless otherwise defined.

**Representations**

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

**The Filer**

- 1. The Filer was incorporated under the *Business Corporations Act* (Ontario) on February 28, 2005 and became a reporting issuer under the OSA by filing a final prospectus dated September 15, 2005 relating to an initial public offering of Class A Capital Shares and Class A Preferred Shares. The Filer’s head office is located in Toronto, Ontario. The Filer is not in default of securities legislation in a jurisdiction of a province of Canada.
- 2. On April 29, 2010, holders of Class A Capital Shares approved a share capital reorganization (the “**Reorganization**”). The Reorganization will permit holders of Class A Capital Shares to extend their investment in the Filer beyond the redemption date of for an additional 5 years. The Reorganization also provides holders of Class A Capital Shares with a special right of retraction (the “**Special Retraction Right**”) to replace the originally scheduled final redemption. Under the Reorganization, holders of Class A Capital Shares who do not wish to extend their investment may choose to have their shares redeemed on September 22, 2010. If the Reorganization is not implemented, the Special Retraction Right will not become effective and the Class A Capital Shares will be redeemed by the Filer on September 22, 2010 in accordance with their terms.
- 3. The authorized capital of the Filer consists of an unlimited number of Class A Capital Shares, an unlimited number of Class A Preferred Shares, an unlimited number of Class B, C, D and E capital shares issuable in series, an unlimited number of

- Class B, C, D and E preferred shares issuable in series, an unlimited number of Class J Shares and Class S Shares. As at June 1, 2010 an aggregate of 3,583,858 Class A Capital Shares, 1,791,929 Class A Preferred Shares, 150 Class J Shares and 100 Class S Shares issued and outstanding. All of the Class A Preferred Shares will be redeemed by the Filer on September 22, 2010 in accordance with their terms and the Class A Capital Shares whose holders have elected to exercise the Special Retraction Right will also be redeemed.
4. The Series 1 Preferred Shares are being offered in order to maintain the leveraged "split share" structure of the Filer and will be issued on or about September 22, 2010 (the "**Offering**") such that there will be twice the number of Class A Capital Shares as Class A Preferred Shares outstanding on and after the expected closing date of September 22, 2010.
  5. The Filer filed the Preliminary Prospectus in each of the provinces of Canada on August 11, 2010 (SEDAR Project No. 1617649).
  6. The Filer will make the Offering to the public pursuant to a final prospectus (the "**Final Prospectus**").
  7. The Class A Capital Shares will continue to be listed and posted for trading on The Toronto Stock Exchange (the "**TSX**") and it is expected that the Series 1 Preferred Shares will be listed and posted for trading on the TSX. An application requesting conditional listing approval has been made by the Filer to the TSX.
  8. The Class J Shares are the only voting shares in the capital of the Filer. There are currently, and will be at the time of filing the Final Prospectus relating to the Offering, 150 Class J Shares issued and outstanding. All of the issued and outstanding Class J Shares are owned by BNS Split II Holdings Corp. and one-third of the common shares of BNS Split II Holdings Corp. is owned by each of the three independent directors of the Filer.
  9. The Class A Capital Shares and Series 1 Preferred Shares may be surrendered for retraction at any time in the manner described in the Preliminary Prospectus.
  10. The Filer has a board of directors (the "**Board of Directors**") which currently consists of six directors, three of which are independent directors who are not employees of Scotia Capital. Also, the offices of President/Chief Executive Officer and Chief Financial Officer/Secretary of the Filer are held by employees of Scotia Capital.
  11. The primary undertaking of the Filer is to invest in a portfolio of common shares (the "**BNS Shares**") of The Bank of Nova Scotia in order to generate fixed cumulative preferential distributions for the holders of the Filer's Series 1 Preferred Shares and to enable the holders of the Filer's Class A Capital Shares to participate in any capital appreciation in the BNS Shares. The BNS Shares will be the only material assets of the Filer.
  12. Series 1 Preferred Share distributions will be funded from the dividends received on the BNS Shares. If necessary, any shortfall in the distributions on the Series 1 Preferred Shares will be funded by proceeds from the sale of, or, if determined appropriate by the Board of Directors of the Filer, premiums earned from writing covered call options on, the BNS Shares.
  13. The record date for the payment of Series 1 Preferred Share distributions, Class A Capital Share dividends or other distributions of the Filer will be set in accordance with the applicable requirements of the TSX.
  14. Any Class A Capital Shares and Series 1 Preferred Shares outstanding on September 22, 2015 will be redeemed by the Filer on such date.
  15. The Filer is considered to be a mutual fund, as defined in the Legislation. Since the Filer does not operate as a conventional mutual fund, it is making an application for a waiver from certain requirements of National Instrument 81-102 – *Mutual Funds*.
  16. It will be the policy of the Filer to hold the BNS Shares and to not engage in any trading of the BNS Shares, except:
    - (a) to fund retractions or redemptions of Class A Capital Shares and Series 1 Preferred Shares;
    - (b) following receipt of stock dividends on the BNS Shares;
    - (c) in the event of a take-over bid for any of the BNS Shares;
    - (d) if necessary, to fund any shortfall in the distribution on Series 1 Preferred Shares; or
    - (e) to meet obligations of the Filer in respect of liabilities including extraordinary liabilities.
  17. The BNS Shares are listed and traded on the TSX.

### The Offering

18. The net proceeds of the Offering (after deducting the agents' fees and expenses of the issue), depending upon the number and value of Class A Capital Shares redeemed pursuant to the Special Retraction Right, will be used by the Filer (together with the sale of a portion of the BNS Shares) to fund the redemption of all of the issued and outstanding Class A Preferred Shares of the Filer on September 22, 2010 as well as those Class A Capital Shares being redeemed pursuant to the Special Retraction Right.
19. The Final Prospectus will disclose selected financial information and dividend and trading history of the BNS Shares.
20. As discussed above, application has been made to list the Series 1 Preferred Shares on the TSX and all of the Class A Capital Shares and Series 1 Preferred Shares outstanding on September 22, 2015 will be redeemed by the Filer on such date.

### Scotia Capital

21. Scotia Capital was incorporated under the laws of the Province of Ontario and is a direct, wholly-owned subsidiary of The Bank of Nova Scotia. Scotia Capital is registered under the Legislation as a dealer in the categories of "broker" and "investment dealer" and is a member of the Investment Industry Regulatory Organization of Canada and a participant in the TSX. Scotia Capital is not in default of securities legislation in a jurisdiction of a province of Canada.
22. Pursuant to an agreement (the "**Agency Agreement**") to be made between the Filer and Scotia Capital, CIBC World Markets Inc., RBC Dominion Securities Inc., National Bank Financial Inc. and TD Securities Inc. (collectively the "**Agents**"), the Filer will appoint the Agents, as its agents, to offer the Series 1 Preferred Shares of the Filer on a best efforts basis and the Final Prospectus qualifying the Offering will contain a certificate signed by the Agents, in accordance with the Legislation.
23. Pursuant to an administration agreement (the "**Administration Agreement**") between Scotia Managed Companies Administration Inc. ("**Scotia Managed Companies**"), a wholly-owned subsidiary of Scotia Capital, and the Filer, the Filer will retain Scotia Managed Companies to administer the ongoing operations of the Filer and will pay Scotia Managed Companies a quarterly fee of 1/4 of 0.25% of the market value of the BNS Shares held by the Filer from and after September 22, 2010.
24. Scotia Managed Companies and Scotia Capital's economic interest in the Filer and in the material

transactions involving the Filer are disclosed in the Preliminary Prospectus and will be disclosed in the Final Prospectus under the heading "Interests of Management and Others in Material Transactions" and include the following:

- (a) agency fees with respect to the Offering;
- (b) an administration fee under the Administration Agreement;
- (c) commissions in respect of the disposition of BNS Shares to fund a redemption, retraction or purchase for cancellation of the Class A Capital Shares and Series 1 Preferred Shares; and
- (d) amounts in connection with Principal Purchases (as described below).

### The Principal Trades

25. Scotia Capital may sell BNS Shares to fund retractions of Class A Capital Shares and Series 1 Preferred Shares prior to the Redemption Date and upon liquidation of the BNS Shares in connection with the final redemption of Class A Capital Shares and Series 1 Preferred Shares on the Redemption Date. These sales will be made by Scotia Capital as agent on behalf of the Filer, but in certain circumstances, such as where a small number of Class A Capital Shares and Series 1 Preferred Shares have been surrendered for retraction, Scotia Capital may purchase BNS Shares as principal (the "**Principal Purchases**") subject to receipt of all regulatory approvals.
26. In connection with any Principal Purchases, Scotia Capital will comply with the rules, procedures and policies of the applicable stock exchange of which they are members and in accordance with orders obtained from all applicable securities regulatory authorities. The Final Prospectus will disclose that Scotia Capital may realize a gain or loss on the resale of such securities.
27. Scotia Capital will take reasonable steps, such as soliciting bids from other market participants or such other steps as Scotia Capital, in its discretion, considers appropriate after taking into account prevailing market conditions and other relevant factors, to enable the Filer to obtain the best price reasonably available for the BNS Shares so long as the price obtained (net of all transaction costs, if any) by the Filer from Scotia Capital is at least as advantageous to the Filer as the price which is available (net of all transaction costs, if any) through the facilities of the applicable stock exchange at the time of the trade.
28. Scotia Capital will not receive any commissions from the Filer in connection with Principal Purchases and, in carrying out the Principal

Purchases, Scotia Capital shall deal fairly, honestly and in good faith with the Filer.

**Decision**

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted.

“James Turner”  
Commissioner  
Ontario Securities Commission

“James D. Carnwath”  
Commissioner  
Ontario Securities Commission

**2.1.4 Stratic Energy Corporation and EnQuest PLC**

**Headnote**

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – relief from various disclosure requirements for an information circular to be sent to a Canadian target company’s shareholders in connection with a proposed arrangement with a foreign entity – Foreign entity will provide disclosure in accordance with UK reporting requirements.

Relief from the requirements of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities – issuer has less than 10% of its securityholders resident in Canada – less than 10% of the issuer’s issued and outstanding securities are held by residents of Canada – issuer exempt from requirements of NI 51-101 provided that the issuer complies with the oil and gas disclosure requirements of the Financial Services Authority of the United Kingdom and the ongoing requirements of the London Stock Exchange.

**Applicable Legislative Provisions**

National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.  
National Instrument 51-102 Continuous Disclosure Obligations.

**Citation:** Stratic Energy Corporation, Re, 2010 ABASC 442

**September 21, 2010**

**IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
ALBERTA AND ONTARIO  
(the Jurisdictions)**

**AND**

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

**AND**

**IN THE MATTER OF  
STRATIC ENERGY CORPORATION (Stratic) AND  
ENQUEST PLC (EnQuest and, together with  
Stratic, the Filers)**

**DECISION**

**Background**

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Maker**) has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (the **Legislation**) exempting:

## Decisions, Orders and Rulings

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- (a) Stratic from the requirement to include the following disclosure in the Stratic Circular (as herein defined):
- (i) disclosure in respect of the reserves data and other oil and gas information of EnQuest (the **Circular Oil and Gas Relief**); and
  - (ii) unaudited interim financial statements of EnQuest for the three months ended June 30, 2010 (with comparative financial information for the corresponding period in the immediately preceding financial year, if any) (the **Quarterly Financial Statement Relief**); and
- (b) EnQuest from the requirements of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (**NI 51-101**) as amended, restated or replaced from time to time (the **On-Going Oil and Gas Relief**).

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

- (a) the Alberta Securities Commission is the principal regulator for this application;
- (b) the Filers have provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia; and
- (c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

### Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined in this decision.

### Representations

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

- 1. Stratic is a corporation incorporated under the *Business Corporations Act* (Yukon) (**YBCA**). The Canadian head office of Stratic is located in Calgary, Alberta and its principal operational office is located in London, UK.
- 2. Stratic is an international oil and gas company involved in the production, development, appraisal and exploration of hydrocarbons with its principal assets located in the UK sector of the North Sea.
- 3. Stratic is a reporting issuer under the securities legislation of Alberta, Ontario and British Columbia

- 4. The common shares of Stratic (**Stratic Shares**) are listed on the TSX Venture Exchange and on the Alternative Investment Market of the London Stock Exchange.
- 5. EnQuest is a company incorporated under the laws of England and Wales. The head office of EnQuest is located in London, UK.
- 6. EnQuest is an independent oil and gas production and development company focused on the UK Continental Shelf (**UKCS**), which includes the UK sector of the North Sea.
- 7. EnQuest was incorporated on January 29, 2010 to acquire the UKCS assets and operations of Petrofac Limited (**Petrofac**) and Lundin Petroleum AB (**Lundin**), which acquisitions were effected on April 5, 2010 and April 6, 2010 through the acquisition by EnQuest of the entire issued share capital of the two subsidiary companies through which Petrofac and Lundin held such assets and operations, namely Petrofac Energy Developments Limited (**PEDL**) and Lundin North Sea BV (**LNS**).
- 8. EnQuest is not a reporting issuer in any Canadian jurisdiction and is not, to its knowledge, in default of any requirements under the Legislation.
- 9. The majority of the executive officers and the directors of EnQuest are not residents of Canada, EnQuest has no material assets located in Canada, and the business of EnQuest is administered wholly outside of Canada.
- 10. Following its acquisition of PEDL and LNS on April 5, 2010 and April 6, 2010, EnQuest completed an initial public offering of EnQuest Shares pursuant to a prospectus (the **UK Prospectus**) dated March 18, 2010 prepared in accordance with the prospectus rules of the Financial Services Authority of the United Kingdom (**FSA**) made under applicable UK law.
- 11. The UK Prospectus was reviewed and approved by the FSA, acting in its securities regulatory capacity as the United Kingdom Listing Authority (**UKLA**), in accordance with applicable UK laws and regulatory requirements.
- 12. The ordinary shares of EnQuest (**EnQuest Shares**) are traded on the main market of the London Stock Exchange (**LSE**) and admitted to the Official List of the UKLA. The EnQuest Shares are also listed on NASDAQ OMX Stockholm.
- 13. EnQuest is subject to the reporting requirements of the FSA and the ongoing requirements of the LSE (collectively, the **UK Requirements**).

14. EnQuest does not have a class of securities registered under section 12 of the United States Securities Exchange Act of 1934, as amended, and is not required to file reports under section 15(d) thereof.
15. There is no market in Canada for EnQuest's securities and none is expected to develop. EnQuest does not currently intend to list any securities on any exchange or marketplace in Canada.
16. On August 2, 2010 Stratic and EnQuest entered into an agreement (the **Arrangement Agreement**) providing for the proposed acquisition by EnQuest of all of the outstanding Stratic Shares pursuant to a statutory plan of arrangement under the YBCA (the **Arrangement**) under which each Stratic Share would be exchanged for 0.089626 EnQuest Share.
17. Completion of the Arrangement is subject to a number of conditions, including the approval of the holders of the Stratic Shares (**Stratic Shareholders**) by special resolution to be considered at a special meeting (the **Stratic Meeting**) to be called and held to consider the Arrangement and the approval of the Supreme Court of the Yukon Territory pursuant to the YBCA.
18. At the date of the Arrangement Agreement, EnQuest had a market capitalization of approximately \$1.47 billion and the aggregate purchase price for the Stratic Shares (based on the then market value of the EnQuest Shares) was approximately \$46.4 million.
19. There are currently approximately 775 million EnQuest Shares outstanding. It is anticipated that approximately 24.5 million EnQuest Shares will be issued to the Stratic Shareholders on completion of the Arrangement. Accordingly, on completion of the Arrangement it is anticipated that the former Stratic Shareholders will own approximately 3.1% of the EnQuest Shares that are then outstanding.
20. Upon completion of the Arrangement, residents of Canada will not own, directly or indirectly, more than 10%, on a fully-diluted basis, of the total number of equity securities of EnQuest.
21. EnQuest will become a reporting issuer in the Jurisdictions on completion of the Arrangement.
22. EnQuest is currently a "designated foreign issuer" (**Designated Foreign Issuer**) under National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (**NI 52-107**) and, on completion of the Arrangement, expects to be a Designated Foreign Issuer under both NI 52-107 and National Instrument 71-102 *Continuous Disclosure and*
- Other Exemptions Relating to Foreign Issuers* (**NI 71-102**).
23. Stratic will, in connection with the Arrangement and in accordance with applicable corporate and securities laws, prepare and send to the Stratic Shareholders, and electronically file through the System for Electronic Document Analysis and Retrieval (**SEDAR**) established under National Instrument 13-101, an information circular (the **Stratic Circular**), which will provide notice of the Stratic Meeting and describe, among other things, the Arrangement and the EnQuest Shares to be issued in consideration for Stratic Shares thereunder.
24. The Stratic Circular will disclose that annual reports, financial statements, information circulars and other materials contemplated by NI 71-102 and currently distributed to holders of EnQuest Shares pursuant to the UK Requirements will be provided, as applicable, to the holders of EnQuest Shares that are resident in Canada, unless EnQuest is not a Designated Foreign Issuer at the relevant time in which case EnQuest will be required to comply with the applicable requirements of the Legislation.
25. Pursuant to the form requirements for an information circular in the Jurisdictions, the Stratic Circular is required to include, for EnQuest, the disclosure (including financial statements) prescribed under the Legislation and described in the form of prospectus that EnQuest would be eligible to use immediately prior to the sending and filing of the Stratic Circular for a distribution of its securities, which in the circumstances is the disclosure in respect of EnQuest described in Form 41-101F1 *Information Required in a Prospectus* (the **Prospectus Form**).
26. The Prospectus Form provides that the Stratic Circular must include, for EnQuest, the information prescribed by Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information* (**Form 51-101F1**), Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor* and Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure* with an effective date of December 31, 2009.
27. EnQuest does not file information prescribed by Form 51-101F1 but instead prepares and publicly discloses information about its oil and gas activities in accordance with the UK Requirements (the **UK Oil and Gas Requirements**).
28. The UK Prospectus contains disclosure (the **Prospectus O&G Disclosure**) about EnQuest's reserves and other oil and gas information as at January 1, 2010 and includes a competent person's report from Gaffney, Cline & Associates

Ltd., all prepared in accordance with the UK Oil and Gas Requirements.

29. The Prospectus Form provides that the Stratic Circular must include, for EnQuest:

- (a) annual financial statements for the three years ended December 31, 2009, 2008 and 2007 and balance sheets as at December 31, 2009 and 2008 that have been audited in accordance with NI 52-107; and
- (b) unaudited interim financial statements for the three- and six-month periods ended June 30, 2010 (with comparative financial information for the corresponding periods in the immediately preceding financial year, if any) and an unaudited balance sheet as at June 30, 2010.

30. As EnQuest was only formed in 2010 the annual financial statements of EnQuest to be included in the Stratic Circular will consist of three years of financial statements for each of PEDL and LNS, being the predecessor entities of EnQuest that, prior to their acquisition by EnQuest from Petrofac and Lundin, respectively, held the assets which now form the basis of EnQuest's business, as follows:

- (a) consolidated income statement, cash flow statement and statement of changes in equity of LNS for the years ended December 31, 2009, 2008 and 2007;
- (b) consolidated balance sheet of LNS as at December 31, 2009, 2008 and 2007;
- (c) consolidated income statement, statement of comprehensive income, statement of cash flows statement and statement of changes in equity of PEDL for the years ended December 31, 2009, 2008 and 2007; and
- (d) consolidated statement of financial position (balance sheet) of PEDL as at December 31, 2009, 2008 and 2007,

together, in each case, with notes thereto (collectively, the **Predecessor Financial Statements**).

31. The Predecessor Financial Statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and are accompanied by accountant's reports (each, an **Accountant's Report**) in accordance with applicable UK prospectus requirements and the Standards of Investment Reporting issued by the Auditing Practices Board in the UK, and will be included in

the Stratic Circular in reliance on those provisions of NI 52-107 which permit, in the case of financial statements of Designated Foreign Issuers, the use of accounting principles and auditing standards that meet the foreign disclosure requirements of the United Kingdom of Great Britain and Northern Ireland.

32. EnQuest is required under UK Requirements to publish its financial results on a semi-annual basis and is neither required nor in a position to prepare quarterly information. EnQuest's most recently prepared interim financial statements are for the half-year ended June 30, 2010 (the Half-Year Statements), which in accordance with UK Requirements do not include any results for the quarter then ended.

#### Decision

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

The decision of the Decision Makers under the Legislation is that the Circular Oil and Gas Relief and the Interim Financial Statement Relief is granted, provided that:

- (a) at the time the Stratic Circular is sent to the Stratic Shareholders, EnQuest expects that upon completion of the Arrangement it will be a Designated Foreign Issuer; and
- (b) the Stratic Circular includes:
  - (i) the Prospectus O&G Disclosure;
  - (ii) the Predecessor Financial Statements and accompanying Accountant's Reports;
  - (iii) the Half-Year Statements; and
  - (iv) disclosure of all material changes in the affairs of EnQuest since the date of the Half-Year Statements to the date of the Stratic Circular.

The further decision of the Decision Makers under the Legislation is that the On-Going Oil and Gas Relief is granted, provided that:

- (a) residents of Canada do not directly or indirectly own more than 10%, on a fully diluted basis, of the total number of equity securities of EnQuest;
- (b) EnQuest is subject to and complies with applicable UK Oil and Gas Requirements in connection with its oil and gas activities;



- (c) EnQuest issues in Canada, and files on SEDAR, a news release stating that it will comply with the UK Requirements in connection with its oil and gas activities rather than with NI 51-101; and
- (d) EnQuest files the disclosure required under the UK Oil and Gas Requirements with the Decision Makers as soon as practicable after such disclosure is filed pursuant to the UK Requirements.

“Blaine Young”  
Associate Director, Corporate Finance  
Alberta Securities Commission

### 2.1.5 Brett Resources Inc. – s. 1(10)

#### Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – application for an order that the issuer is not a reporting issuer.

#### Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10).

September 21, 2010

Fraser Milner Casgrain LLP  
1 First Canadian Place  
Suite 3900, 100 King Street West  
Toronto, Ontario M5X 1B2

Attention: Karen Slater

**Re: Brett Resources Inc. (the “Applicant”) – application for a decision under the securities legislation of Ontario and Alberta (the “Jurisdictions”) that the Applicant is not a reporting issuer**

The Applicant has applied to the local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions for a decision under the securities legislation (the “Legislation”) of the Jurisdictions that the Applicant is not a reporting issuer.

As the Applicant has represented to the Decision Makers that:

- (a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in each of the jurisdictions in Canada and fewer than 51 security holders in total in Canada;
- (b) no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;
- (c) the Applicant is applying for a decision that it is not a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and
- (d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is not a reporting issuer.

“Michael Brown”  
Assistant Manger, Corporate Finance  
Ontario Securities Commission

**2.1.6 Gerdau Ameristeel Corporation – s. 1(10)**

“Michael Brown”  
Assistant Manager, Corporate Finance  
Ontario Securities Commission

**Headnote**

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – application for an order that the issuer is not a reporting issuer.

**Ontario Statutes**

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10).

September 21, 2010

Gerdau Ameristeel Corporation  
4221 W. Boy Scout Blvd.  
Tampa, FL 33607  
USA

Dear Sirs/Mesdames:

**Re: Gerdau Ameristeel Corporation (the Applicant)  
– Application for a decision under the securities legislation of Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Nunavut, Yukon (the Jurisdictions) that the Applicant is not a reporting issuer**

The Applicant has applied to the local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions for a decision under the securities legislation (the Legislation) of the Jurisdictions that the Applicant is not a reporting issuer.

As the Applicant has represented to the Decision Makers that:

- (a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in each of the jurisdictions in Canada and fewer than 51 security holders in total in Canada;
- (b) no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;
- (c) the Applicant is applying for a decision that it is not a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and
- (d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is not a reporting issuer.

2.1.7 National Bank Securities Inc.

**Headnote**

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – exemption from section 2.7(1)(a) of NI 81-102 to permit credit default swaps with a remaining term to maturity of greater than 3 years.

**Applicable Legislative Provisions**

National Instrument 81-102 Mutual Funds, ss. 2.7(1)(a), 19.1.

(Translation)

September 10, 2010

IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
QUÉBEC AND ONTARIO  
(the Jurisdictions)

AND

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

AND

IN THE MATTER OF  
NATIONAL BANK SECURITIES INC.  
(the Filer)

DECISION

**Background**

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Maker**) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) providing an exemption, pursuant to section 19.1 of National Instrument 81-102 – *Mutual Funds (NI 81-102)*, from section 2.7(1)(a) of NI 81-102 to permit the investment funds of which the Filer is the investment fund manager, other than any investment fund that describes itself as a “money market fund”, that are subject to NI 81-102 (**Existing Funds**) and investment funds of which the Filer or an affiliate of the Filer is the investment fund manager, other than any investment fund that describes itself as a “money market fund”, to be established hereafter that are also subject to NI 81-102 (**Future Funds**, together with the Existing Funds, the **Funds**) to enter into credit default swaps without any restriction as to the remaining term to maturity of the swap (the **Exemption Sought**).

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

(a) the Autorité des marchés financiers is the principal regulator for this application;

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 – *Passport System (MI 11-102)* is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Nunavut and Northwest Territories; and

(c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

**Interpretation**

Terms defined in NI 81-102, MI 11-102 and National Instrument 14-101 – *Definitions* have the same meanings if used in this decision. Certain other defined terms have the meanings given to them above or below.

**Representations**

The decision is based on the following facts represented by the Filer:

1. The Filer is a corporation incorporated under the laws of Canada and is registered in all of the provinces and territories of Canada as a dealer in the category of mutual fund dealer.
2. The Filer and the Existing Funds are not in default of securities legislation in any jurisdiction of Canada.
3. Natcan Investment Management Inc. (**Natcan**) is a corporation incorporated under the laws of Quebec and is registered in: (a) Quebec as an adviser in the categories of portfolio manager and derivatives portfolio manager; (b) Ontario as an adviser in the category of portfolio manager, as a dealer in the category of exempt market dealer, and under the *Commodity Futures Act* (Ontario) as a commodity trading manager; (c) Newfoundland and Labrador as an adviser in the category of portfolio manager and as a dealer in the category of exempt market dealer; and (d) Alberta, British Columbia, Manitoba, New Brunswick, Northwest Territories, Nova Scotia and Saskatchewan as an adviser in the category of portfolio manager. Natcan acts as the portfolio manager for the Funds.
4. Each of the Funds, other than the National Bank Protected Canadian Bond Fund, the National Bank Protected Retirement Balanced Fund, the National Bank Protected Growth Balanced Fund, the National Bank Protected Canadian Equity Fund and the National Bank Protected Global Fund (collectively, the **Protected Funds**) is, or will be, a reporting issuer and qualified for distribution in each of the provinces and territories of Canada pursuant to a simplified prospectus and annual information form prepared and filed in accordance

with securities legislation. The Protected Funds are reporting issuers that are required to file an annual information form pursuant to section 9.2 of National Instrument 81-106 – *Investment Fund Continuous Disclosure* but are not currently qualified for distribution.

5. Any of the Funds may use specified derivatives that comply with their investment objectives as part of their investment strategies to offset or reduce a risk associated with the portfolio investments of the Fund. Portfolio managers may seek to improve the portfolio's rate of return by using derivatives and accepting a lower, more predictable rate of return through hedging transactions, rather than a higher but less predictable potential rate of return.

Portfolio managers may use derivatives to reduce the risk of currency fluctuations, stock market volatility and interest rate fluctuations. In some cases, portfolio managers may use derivatives instead of direct investments. This reduces transaction costs and can improve liquidity and increase the flexibility of a portfolio.

Portfolio managers may also use derivatives for non-hedging purposes. Derivatives can help mutual funds increase the speed and flexibility with which they trade.

6. Section 2.7(1)(a) of NI 81-102 prohibits mutual funds from entering into swaps with terms to maturity of greater than 3 years, or greater than 5 years if the contract provides the fund with a right to eliminate its exposure within 3 years. The Funds seek the ability to enter into credit default swaps without a restriction as to the term of the swap.
7. Fixed income investments have risks which include (but are not limited to) interest rate risk, credit risk and currency risk. These risks can be controlled or mitigated through the use of over-the-counter derivatives. Interest rate risk may be managed by interest rate swaps, credit risk can be managed by credit default swaps and currency risk by currency swaps or forwards.
8. The term of a swap equals the maturity of its exposure, in contrast to other over-the-counter derivatives, such as options and certain types of forwards, where the contract term and maturity of the underlying security are not related.
9. Credit default swaps have a similar risk profile to their reference entity (corporate or sovereign bonds or asset backed securities) or, in the case of an index of credit default swaps (such as CDX), to an average of all the reference entities in the index or, in the case of a basket of reference entities, to an average of all the reference entities in the basket. The term of a credit default swap

imparts credit risk similar to that of a bond of the reference entity with the same term. The Funds may not be able to achieve the same sensitivity to credit risk as their respective benchmarks by using credit default swaps with a maximum term of 3 years because the relevant benchmark may have an average term that is longer. It should also be noted that the most liquid terms for single name and/or index credit default swaps are 5 years and 10 years. There is no term restriction in NI 81-102 when investing directly in the reference entities.

10. It is not market convention to have a credit default swap transaction with a 5-year term (subject to a right to eliminate the exposure within 3 years) and, as a result, such an off-market feature may subject a Fund to less efficient pricing.
11. The credit default swap market is very large. Credit default swaps, on average, are highly liquid instruments. Single name credit default swaps have become as liquid and in most cases more liquid than the cash bonds of their reference entities, while credit default swaps on CDX are generally more liquid than corporate or emerging market bonds. The Bank for International Settlements reported that the notional amount of credit default swaps outstanding was U.S. \$32.7 trillion as of December 31, 2009. The International Swap and Derivatives Association's 2009 year-end market survey estimated the notional amount outstanding to be U.S. \$30.4 trillion. Using either source, the credit default swap market has surpassed the size of the equity derivatives markets, and is one of the fastest growing financial markets.
12. Because swaps are private agreements between two counterparties, a secondary market for these agreements would be a cumbersome process whereby one counterparty would have to find a new counterparty willing to take over its contract at a fair market price, get the original counterparty to approve the new counterparty, and exchange a whole new set of documents. To avoid that process, market participants can unwind their positions in credit default swaps by simply entering into an opposing swap with an acceptable counterparty at market value. In this way, the original economic position of the initial swap is offset. Parties may also agree to terminate the agreement at a fair market price prior to the maturity date of the agreement.
13. Potential credit exposure to a counterparty on a credit default swap on a credit default index is equal to the pro rated notional exposure to any issuer in the index which has defaulted or, in the case of a single name credit default swap, equal to the full notional exposure. This exposure is mitigated because the counterparty or a guarantor will be required to have an approved credit rating

- prescribed by NI 81-102 and exposure to any individual counterparty is limited by NI 81-102.
14. By permitting the Funds to enter into credit default swaps beyond 3 years terms, it increases the possibility for the Funds to (i) increase returns due to the fact that the opportunity set is expanded, and (ii) target exposures that might not otherwise be available in the cash bond markets or could not be achieved as efficiently as in the cash bond markets. Further, the use of credit default swaps beyond 3 year terms enables the Funds to effect hedging transactions that help mitigate underlying investment risks associated with investing in fixed income investments. It also allows the Funds to respond more rapidly to changes in the corporate market.
  15. The Funds have the right to terminate swaps early if a counterparty's credit rating drops below the credit ratings required by NI 81-102, and the Funds will do so in accordance with the terms of section 2.7(2) of NI 81-102.
  16. Natcan is responsible for managing the risks associated with the use of derivatives. Natcan has written guidelines that set out the objectives and goals for derivatives trading.
  17. In addition, Natcan has written control policies and procedures in place that set out the risk management procedures applicable to derivatives trading. These policies and procedures set out specific procedures for the authorization, documentation, reporting, monitoring and review of derivative strategies ensuring that these functions are performed by individuals independent of those who trade.
  18. Limits and controls on derivatives trading are part of Natcan's compliance regime. All derivatives transactions are reviewed by a specially trained team that ensures that the derivative positions of the Funds are within the existing control policies and procedures.
  19. The derivative transactions entered into on behalf of a Fund must be in accordance with the investment strategies of the Fund
  20. The prospectus and annual information form of the Funds discloses the internal controls and risk management processes of the Filer and Natcan regarding the use of derivatives and, upon renewal, will include disclosure of the nature of the Exemption Sought until such time as the amendment to section 2.7(1) of NI 81-102 (which has been proposed in a Notice of Proposed Amendments to NI 81-102 dated June 25, 2010 and is consistent with the Exemption Sought) is in effect.

21. Without the Exemption Sought, the Funds will not have the flexibility to enhance yield and to manage more effectively their exposure and credit risk under specified derivatives.

**Decision**

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

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

“Josée Deslauriers”  
Director Investment Funds and Continuous Disclosure  
Autorité des marchés financiers

2.2. Orders

DATED at Toronto this 14th day of September, 2010.

2.2.1 Locate Technologies Inc. et al. – s. 127

“James E. A. Turner”

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

AND

IN THE MATTER OF  
LOCATE TECHNOLOGIES INC.,  
TUBTRON CONTROLS CORP.,  
BRADLEY CORPORATE SERVICES LTD.,  
706166 ALBERTA LTD., LORNE DREVER,  
HARRY NILES, MICHAEL CODY AND  
DONALD NASON

ORDER  
(Section 127)

**WHEREAS** on August 16, 2010, the Commission issued a Notice of Hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended, accompanied by a Statement of Allegations dated August 16, 2010 issued by Staff of the Commission (“Staff”) with respect to Locate Technologies Inc. (“Locate”), Tubtron Controls Corp. (“Tubtron”), Bradley Corporate Services Ltd. (“Bradley”), 706166 Alberta Ltd. (“706166”), Lorne Drever (“Drever”), Harry Niles (“Niles”), Michael Cody (“Cody”) and Donald Nason (“Nason”), (collectively, the “Respondents”);

**AND WHEREAS** the Notice of Hearing set the hearing in this matter for September 13, 2010 at 2:30 p.m.;

**AND WHEREAS** on September 13, 2010, Staff attended the hearing and counsel for Locate, Tubtron, 706166 and Drever (collectively, the “Locate Respondents”) attended the hearing via teleconference;

**AND WHEREAS** Bradley, Niles, Cody and Nason did not appear at the hearing and were not represented by counsel on September 13, 2010, although properly served with the Notice of Hearing;

**AND WHEREAS** Staff and counsel for the Locate Respondents made submissions at the hearing;

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

**IT IS ORDERED THAT** this matter be set down for a hearing on the merits on November 30, 2010 at 2:30 p.m.;

**IT IS FURTHER ORDERED THAT** Staff and the Respondents may make written submissions prior to the hearing on the merits; and

**IT IS FURTHER ORDERED THAT** the Respondents may attend the hearing on the merits via teleconference and both Staff and the Respondents may make further brief submissions.

2.2.2 Albert Leslie James et al.

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

AND

IN THE MATTER OF  
ALBERT LESLIE JAMES, EZRA DOUSE  
AND DOMINION INVESTMENTS CLUB INC.

ORDER

**WHEREAS** on March 12, 2010, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to section 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") in relation to Albert Leslie James, Ezra Douse and Dominion Investments Club Inc. (the "Respondents");

**AND WHEREAS** the Respondents entered into a settlement agreement with Staff of the Commission ("Staff") dated September 17, 2010 (the "Settlement Agreement"), a copy of which is attached as Schedule "A" to this Order, subject to the approval of the Commission;

**AND UPON** reviewing the Settlement Agreement, and upon hearing submissions from counsel for Staff and counsel for the Respondents;

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

**IT IS ORDERED:**

1. That the Settlement Agreement is approved;
2. That the Respondents will be reprimanded by the Commission;
3. That all monies recovered by the Respondents from the Dominion forex investment program will be disgorged to the Commission for the benefit of third parties pursuant to s. 3.4(2)(b) of the Act;
4. That each of Douse and James will pay an administrative penalty of \$250,000 pursuant to s. 3.4(2)(b) of the Act;
5. That each of Douse and James will cease trading in all securities for a period of 15 years;
6. That any exemptions contained in the Act will not apply to the Respondents;
7. That each James and Douse will be prohibited from becoming, acting or holding the title of director or officer in any market participant for a period of 15 years;
8. That upon the approval of this settlement, that each of Douse and James will make a payment of \$5,000 to the Commission in respect of a portion the Commission's costs incurred in relation to this matter; and
9. That each of James and Douse will attend the hearing in person.

**DATED** at Toronto this 20th day of September, 2010.

"Patrick J. LeSage"

**SCHEDULE A**

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

**AND**

**IN THE MATTER OF  
ALBERT LESLIE JAMES, EZRA DOUSE  
AND DOMINION INVESTMENTS CLUB INC.**

**SETTLEMENT AGREEMENT OF  
ALBERT LESLIE JAMES, EZRA DOUSE  
AND DOMINION INVESTMENTS CLUB INC.**

**I. INTRODUCTION**

1. By Notice of Hearing dated March 12, 2010 (the "Notice of Hearing"), the Ontario Securities Commission (the "Commission") announced that it proposed to hold a Hearing to consider:

- (i) whether, pursuant to s. 127(5) of the Act that the temporary order made January 15, 2010 against the above noted Respondents be continued to the conclusion of the hearing on the merits.
- (ii) whether, in the opinion of the Commission, it is in the public interest, pursuant to ss. 127 and 127.1 of the Act to order that:
  - (a) trading in any securities by the Respondents cease permanently or for such period as is specified by the Commission;
  - (b) the acquisition of any securities by the Respondents is prohibited permanently or for such other period as is specified by the Commission;
  - (c) any exemptions contained in Ontario securities law do not apply to the Respondents permanently or for such period as is specified by the Commission;
  - (d) the Respondents be reprimanded;
  - (e) Albert Leslie James, Ezra Douse (the "Individual Respondents") resign one or more positions that they hold as a director or officer of any issuer, registrant or investment fund manager;
  - (f) the Individual Respondents be prohibited from becoming or acting as a director or officer of any issuer, a registrant or investment fund manager;
  - (g) the Respondents be prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter;
  - (h) the Respondents each pay an administrative penalty of not more than \$1 million for each failure by that Respondent to comply with Ontario securities law;
  - (i) each of the Respondents disgorge to the Commission any amounts obtained as a result of non-compliance by that Respondent with Ontario securities law;
  - (j) the Respondents be ordered to pay the costs of the Commission investigation and the hearing; and,
- (ii) whether to make such further orders as the Commission considers appropriate.

2. Staff of the Commission ("Staff") has agreed to recommend settlement of the proceeding initiated in respect of the Respondents Albert Leslie James ("James"), Ezra Douse ("Douse") and Dominion Investments Club Inc. ("Dominion"), collectively referred to as "the Respondents", by the Notice of Hearing in accordance with the terms and conditions set out below. The Respondents consent to the making of an Order against them in the form attached as Schedule "A" on the basis of the facts set out below.



II. STATEMENT OF FACTS

Acknowledgement

3. For the purposes of this proceeding and any other proceeding commenced by a Securities Regulatory Agency, the Respondents agree with the facts set out in this Part II.

Facts

4. In 2008 a foreign exchange ("forex") investment program was conceived and promoted to Ontario investors under the name Dominion Investment Clubs. It was modelled on an identical forex investment program which had operated in Ontario since 2007, under the name Prosporex Investment Club Inc. ("Prosporex").

5. James is an individual residing in the Province of Ontario and has never been registered by the Commission in any capacity.

6. Douse is an individual residing in the Province of Ontario and has never been registered by the Commission in any capacity.

7. James and Douse had both been investors in Prosporex in 2007. Douse worked for Prosporex as a sales presenter until March 2008 when he was laid off.

8. Dominion Investments Club Inc. ("Dominion") is an Ontario company which was incorporated on June 11, 2008 by James, James' then wife, Noni James ("Noni"), Douse and David Whitely ("Whitely"). It has never been registered by the Commission in any capacity.

9. Prior to the incorporation of Dominion on June 11, 2008, James had undertaken the same forex investment program through an unincorporated entity which was called "Dominion Investments". Dominion Investments originally took in funds from 15 customers who invested in the forex program using their own resources and did not borrow money to invest.

10. In or about May 2008 James approached Douse and Douse agreed to become involved in promoting the Dominion forex investment program and to become an owner of Dominion. As a result the corporate Respondent was incorporated. James and Douse intentionally modelled the Dominion forex investment program on Prosporex's forex investment program in all material respects including the use of AGF Trust RSP loan proceeds as more particularly described below.

11. Using Prosporex as their model, James and Douse structured the Dominion forex investment program as an "investment club". Individual investors signed forex investment contracts and pooled their funds with the funds of others, on the understanding that the pooled funds were to be invested by third party forex brokers (i.e. parties other than the Respondents) in foreign exchange transactions. The investors were to share in the resulting investment gains or losses from that activity.

12. As had been the case in Prosporex, Dominion required investors to sign a Participation Agreement which provided in material part as follows:

**"This agreement is for the purpose of participating collectively in the pooling of funds for Foreign Currency Trading Accounts and sharing in the profits and loss of this initiative.**

**Dominion Investments is not a Currency Trader or Brokerage House and does not make any claim to be so. We are simply managing the pooling of members to participate in this income generating service through our relationships with highly experienced and registered Traders and Brokerage Firms."**

13. The Participation Agreement and the activities described therein constituted an investment contract and hence a security within the meaning of the Securities Act ("the Act").

14. The Participation Agreement also provided for the payment of monthly returns on contributed capital as follows:

**"1) Proposed monthly Payout: 12.5% of your contribution payable monthly from net profits. Monthly returns/payments start 90 days after the account setup date and are made between the first and the fifth day of each month or the next business day thereafter when not compounding."**

Dominion investors received cheques ostensibly representing between 5% and 10% as a monthly return on their invested capital.

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**Decisions, Orders and Rulings**

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15. The monthly "returns" on the investments did not derive from foreign currency trading profits but rather were funded by new money coming into the forex investment scheme from later Dominion investors. The respondents misled the Dominion investors by representing to them that the monthly cheques which they received constituted profits from forex trading when in fact there were no profits from forex trading.

16. As had occurred at Prosporex, Dominion paid financial incentives to those who brought new investors into the program.

17. Douse and James both promoted and sold forex investments offered by Dominion to prospective investors and advised investors to borrow money and to purchase the forex investments. Although they advised investors that there was risk involved and that they could lose their investment, Douse and James represented that the forex investments were likely to be profitable. As a result, some investors were led to believe that the profitability of their investment was virtually assured.

18. In order to facilitate Dominion's sale of the forex investments, and again modelling their approach on Prosporex, Douse and James advised investors to invest utilizing borrowed funds. This occurred in the following manner.

19. James, Douse and Dominion came into contact with Wilton J. Neale ("Neale"), the owner and operator of a licensed insurance agency called 360 Degree Financial Services Inc. ("360°") in our about the summer of 2008.

20. James and Douse were aware that 360° was party to a Distribution Agreement with AGF Trust Company ("AGF Trust") whereby 360° was permitted to apply to AGF Trust for RSP loans on behalf of 360°'s customers. The proceeds of those loans were intended to be directed to RSP investments.

21. As had been the case with Prosporex, James and Douse wanted a source of capital that could be used by Dominion investors to invest in forex. To that end they proposed to Neale that Neale apply to AGF Trust for RSP loans under 360°'s Distribution Agreement with AGF Trust. They proposed to Neale that 360° would receive the loan proceeds and transfer the loan proceeds to Dominion to be invested in forex. James, Douse and Dominion entered into an arrangement with Neale whereby, in exchange for a fee, Neale would submit AGF Trust loan applications on behalf of investors in Dominion and cause the loan proceeds to be transferred to Dominion.

22. The Distribution Agreement between 360° and AGF Trust and the loan applications submitted thereunder required 360° to invest the loan proceeds in RSP eligible products. The forex investment program was not an RSP eligible product.

23. Following June 2008, and relying in part on what they had been told by Neale, James, Douse and Dominion participated in a course of conduct whereby 360° applied for AGF Trust RSP loans, forwarded the loan proceeds to Dominion, and Dominion invested those proceeds in the forex product. James and Douse knew or ought to have known that the forex product was not an RSP-eligible investment. Notwithstanding that James and Douse did not deal directly with AGF Trust, they knew or ought to reasonably have known that approximately \$1 million dollars worth of AGF RSP loans had been obtained by 360° through questionable means and channeled into a non RSP-eligible investment, namely the Dominion forex trading program. James, Douse and Dominion profited from this activity.

**The Conduct of These Respondents**

24. Douse and James knew or ought reasonably to have known that their conduct, particularized above, was misleading to Dominion investors. Further, they ought reasonably to have known that AGF Trust would be misled regarding the use of the borrowed funds for a non-registered investment.

25. The Respondents also acknowledge that the above conduct constitutes an unregistered distribution of securities by them and an unregistered sale and advising in relation to securities. They acknowledge that their conduct is a violation of Sections 25(1)(a) and (c) of the Securities Act.

26. These Respondents acknowledge that their conduct aforesaid was contrary to Section 53(1) as constituting an illegal distribution of securities.

27. These Respondents acknowledge that their conduct was misleading contrary to Section 126.2 of the Act and that they have acted contrary to the public interest.

**Terms of Settlement**

28. The Respondents agree to the following terms of settlement:

- (a) That they will be reprimanded by the Commission;

**Decisions, Orders and Rulings**

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- (b) That all monies recovered by them from the Dominion forex investment program will be disgorged to the Commission for the benefit of third parties;
- (c) That each of Douse and James will be pay an administrative penalty of \$250,000;
- (d) That each of Douse and James will cease trading in all securities for a period of 15 years;
- (e) That any exceptions contained in the Act will not apply to them;
- (f) That each James and Douse will be prohibited from becoming, acting or holding the title of director or officer in any market participant for a period of 15 years;
- (g) Upon the approval of this settlement, that each of Douse and James will make a payment of \$5,000 to the Commission in respect of a portion the Commission's costs incurred in relation to this matter; and
- (h) That each of James and Douse will attend the hearing in person.

29. The parties may sign separate copies of this agreement. Together, these signed copies will form a binding agreement.

30. A fax copy of any signature will be treated as an original signature.

Dated this 17th day of September, 2010

"Albert James"  
Albert Leslie James

"Alistair Crawley"  
Witness

"Ezra Douse"  
Ezra Douse

"Suzanne Haskett"  
Witness

"Ezra Douse"  
Dominion Investors Club Inc.  
by its duly authorized signatories

"Tom Atkinson"  
Director, Enforcement Branch

**SCHEDULE "A"**

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

**AND**

**IN THE MATTER OF  
ALBERT LESLIE JAMES, EZRA DOUSE  
AND DOMINION INVESTMENTS CLUB INC.**

**ORDER**

**WHEREAS** on March 12, 2010, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to section 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") in relation to Albert Leslie James, Ezra Douse and Dominion Investments Club Inc. (the "Respondents");

**AND WHEREAS** the Respondents entered into a settlement agreement with Staff of the Commission ("Staff") dated September 17, 2010 (the "Settlement Agreement"), a copy of which is attached as Schedule "A" to this Order, subject to the approval of the Commission;

**AND UPON** reviewing the Settlement Agreement, and upon hearing submissions from counsel for Staff and counsel for the Respondents;

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

**IT IS ORDERED:**

1. That the Settlement Agreement is approved;
2. That the Respondents will be reprimanded by the Commission;
3. That all monies recovered by the Respondents from the Dominion forex investment program will be disgorged to the Commission for the benefit of third parties pursuant to s. 3.4(2)(b) of the Act;
4. That each of Douse and James will pay an administrative penalty of \$250,000 pursuant to s. 3.4(2)(b) of the Act;
5. That each of Douse and James will cease trading in all securities for a period of 15 years;
6. That any exemptions contained in the Act will not apply to the Respondents;
7. That each James and Douse will be prohibited from becoming, acting or holding the title of director or officer in any market participant for a period of 15 years;
8. That upon the approval of this settlement, that each of Douse and James will make a payment of \$5,000 to the Commission in respect of a portion the Commission's costs incurred in relation to this matter; and
9. That each of James and Douse will attend the hearing in person.

DATED at Toronto this        day of September, 2010.

**2.2.3 Dragon Pharmaceutical, Inc. – s. 1(10)(b)**

**Headnote**

Application for an order that the issuer is not a reporting issuer under applicable securities laws – requested relief granted.

**Applicable Legislative Provisions**

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10)(b).

**IN THE MATTER OF  
THE SECURITIES ACT,  
R.S.O. 1990, CHAPTER S.5, AS AMENDED  
(the Act)**

**AND**

**IN THE MATTER OF  
DRAGON PHARMACEUTICAL, INC.  
(the Applicant)**

**ORDER  
(Clause 1(10)(b))**

**UPON** the application (the **Application**) of the Applicant for an order pursuant to clause 1(10)(b) of the Act that the Applicant is not a reporting issuer for the purposes of Ontario securities laws (the **Requested Relief**);

**AND UPON** considering the Application and the recommendation of the staff of the Ontario Securities Commission (the **Commission**);

**AND UPON** the Applicant representing to the Commission that:

1. The Applicant was organized under the laws of the State of Florida on August 22, 1989 under the name First Geneva Investments, Inc. On September 21, 1998, First Geneva Investments, Inc. changed its name to Dragon Pharmaceutical, Inc.
2. The Applicant's head office address is located at Suite 310, 650 West Georgia Street, Vancouver, British Columbia, V6B 4N9.
3. The Applicant's authorized capital consists of 200,000,000 common shares with a par value of \$0.001 per share (the **Common Shares**), of which 67,066,418 Common Shares are issued and outstanding. The Applicant has no securities, including debt securities, outstanding other than the Common Shares.
4. The Applicant is a reporting issuer in Ontario. The Applicant is not a reporting issuer or its equivalent in any other jurisdiction of Canada.
5. On January 15, 2010, Mr. Yanlin Han, Chairman of the Board of Directors and Chief Executive

Officer of the Applicant, made a non-binding proposal to acquire all of the outstanding shares of the Applicant.

6. On March 26, 2010, the Applicant entered into an Agreement and Plan of Merger among, Chief Respect Ltd. (a company wholly-owned by Mr. Han), Datong Investment Inc., a wholly-owned subsidiary of Chief Respect Ltd., and Mr. Han pursuant to which Mr. Han would, directly and indirectly, acquire all of the issued and outstanding Common Shares of the Applicant (the **Merger**).
7. On July 20, 2010, a majority of the shareholders of the Applicant (including a majority of shareholders excluding Mr. Han) approved the Merger at a special meeting of shareholders.
8. The Merger was completed on July 22, 2010, at which time Mr. Han became the sole beneficial shareholder of all of the issued and outstanding Common Shares of the Applicant.
9. Following the completion of the Merger, the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 securityholders in Ontario and less than 51 securityholders in total in Canada.
10. As a result of the Merger, the Applicant's Common Shares were delisted from the Toronto Stock Exchange on July 27, 2010 and the OTC Bulletin Board on July 23, 2010.
11. No securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operations*.
12. The Applicant is not in default of any of its obligations as a reporting issuer under the Act except for its obligation to file interim financial statements for the quarter ended June 30, 2010 and its management discussion and analysis in respect of such financial statements as required under National Instrument 51-102 *Continuous Disclosure Obligations* and the related certifications for such financial statements as required under National Instrument 52-109 *Certificate of Disclosure in Issuers' Annual and Interim Filings* (the **Disclosure Documents**).
13. The Applicant did not file the Disclosure Documents referred to in paragraph 12 when due on the basis that the Merger had been completed and the Applicant's Common Shares had been delisted from the Toronto Stock Exchange and the OTC Bulletin Board.
14. The Applicant has no current intention to seek public financing by way of offering of securities.

15. The Applicant is not eligible to use the simplified procedure under CSA Staff Notice 12-307 *Application For A Decision That An Issuer Is Not A Reporting Issuer* because it is in default under Ontario securities laws as described in paragraph 12 above.
16. The Applicant will not be a reporting issuer or the equivalent in any jurisdiction in Canada immediately following the granting of the Requested Relief.

**AND UPON** the Commission being satisfied that granting this Order would not be prejudicial to the public interest;

**IT IS HEREBY ORDERED** pursuant to clause 1(10)(b) of the Act that, for the purposes of Ontario securities law, the Applicant is not a reporting issuer.

**DATED** at Toronto, Ontario on this 21st day of September, 2010.

“Margot C. Howard”  
Commissioner  
Ontario Securities Commission

“C. Wesley M. Scott”  
Commissioner  
Ontario Securities Commission

**2.2.4 Agoracom Investor Relations Corp. et al.**

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

**AND**

**IN THE MATTER OF  
AGORACOM INVESTOR RELATIONS CORP.,  
AGORA INTERNATIONAL ENTERPRISES CORP.,  
GEORGE TSIOLIS AND APOSTOLIS KONDAKOS  
(a.k.a. PAUL KONDAKOS)**

**ORDER**

**WHEREAS** on April 1, 2010, the Ontario Securities Commission (“Commission”) issued a Notice of Hearing, pursuant to s. 127 and s. 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, accompanied by a Statement of Allegations with respect to the Respondents for a hearing to commence on April 26, 2010;

**AND WHEREAS** at a hearing on April 26, 2010, counsel for Staff and counsel for the Respondents consented to the scheduling of a confidential pre-hearing conference on July 7, 2010;

**AND WHEREAS** on July 7, 2010, a further confidential pre-hearing conference was scheduled for September 21, 2010 at 9:00 a.m. and dates for the hearing on the merits were scheduled to commence on February 14, 2011 at 10:00 a.m. and to continue to and including March 11, 2011 (other than February 21 and 22 and March 8, 2011), or such further or other dates as to be agreed to by the parties and fixed by the Office of the Secretary;

**AND WHEREAS** due to a scheduling conflict of counsel for the Respondents, and on consent of Staff, by Order dated August 11, 2010, the dates for the hearing on the merits were changed to commencing on February 14, 2011 at 10:00 a.m. and continuing to and including March 11, 2011 (other than February 21 and 22, March 1 to 4, and March 8, 2011), and thereafter continuing on March 28 to and including March 31, 2011, or such further or other dates as to be agreed to by the parties and fixed by the Office of the Secretary;

**AND WHEREAS**, at the confidential pre-hearing conference held on September 21, 2010, counsel for Staff and counsel for the Respondents consented to the scheduling of a further confidential pre-hearing conference on November 10, 2010 at 10:00 a.m.;

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

**IT IS ORDERED** that a further confidential pre-hearing conference be held on November 10, 2010 at 10:00 a.m., or such further or other date as shall be agreed to by the parties and fixed by the Office of the Secretary.

Dated at Toronto this 21st day of September, 2010.

“Carol S. Perry”

## Chapter 4

# Cease Trading Orders

### 4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
Power Tech Corporation Inc.	16-Sept-10	28-Sept-10		

### 4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Expire	Date of Issuer Temporary Order

THERE ARE NO ITEMS FOR THIS WEEK.

### 4.2.2 Outstanding Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Expire	Date of Issuer Temporary Order
Coalcorp Mining Inc.	07 Oct 09	19 Oct 09	19 Oct 09		

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## Chapter 7

# Insider Reporting

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This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesSource (see [www.carswell.com](http://www.carswell.com)).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website ([www.sedi.ca](http://www.sedi.ca)).



## Chapter 8

# Notice of Exempt Financings

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### REPORTS OF TRADES SUBMITTED ON FORMS 45-106F1 AND 45-501F1

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price (\$)	# of Securities Distributed
08/25/2010	2	219 Laurier Avenue West LP - Units	9,293,418.72	9,293,418.72
08/25/2010	3	4171624 Canada Inc. - Loans	2,350,000.00	2,350,000.00
08/25/2010	3	9126-7393 Quebec Inc. - Loans	1,200,000.00	1,200,000.00
08/09/2010	12	Advanced Composite Technologies Inc. - Common Shares	394,500.00	394,500.00
10/26/2009	19	AKA Ventures Inc. - Units	366,500.00	N/A
08/11/2010	10	American Manganese Inc. - Units	412,231.32	2,290,174.00
08/31/2010	30	Arriva Energy Inc. - Common Shares	8,225,666.80	6,854,722.00
09/10/2010	12	Atlanta Gold Inc. - Units	1,003,000.00	6,268,750.00
09/03/2010	4	Bayfield Ventures Corp. - Common Shares	34,300.00	70,000.00
01/05/2010	15	Bell Copper Corporation - Flow-Through Shares	360,000.00	1,800,000.00
02/25/2010	48	Bell Copper Corporation - Units	750,000.00	N/A
03/15/2010	51	Bell Copper Corporation - Units	1,526,460.00	N/A
03/09/2010	32	Bell Copper Corporation - Units	15,195.19	N/A
08/27/2010	80	Blue Sky Uranium Corp. - Units	2,582,250.00	10,329,000.00
08/19/2010 to 08/25/2010	32	BNP Paribas Arbitrage Issuance B.V. - Certificates	3,483,235.00	3,485.00
08/03/2010	1	BNP Paribas Arbitrage Issuance B.V. - Certificates	2,941.22	3.00
08/19/2010 to 08/31/2010	15	BNP Paribas Arbitrage Issuance B.V. - Certificates	3,795,931.53	3,710.00
08/06/2010	25	Bravada Gold Corporation - Units	900,000.00	6,000,000.00
08/12/2010	23	Brea Resources Corp. - Units	900,000.00	18,000,000.00
07/27/2010	15	Caledonian Royalty Corporation - Units	1,200,000.00	120,000.00
09/09/2010	34	Canadian Horizons First Mortgage Investment Corporation - Preferred Shares	1,525,871.00	1,525,871.00
08/31/2010 to 09/08/2010	15	CanAm Coal Corp. - Debentures	535,000.00	107.00
09/09/2010	21	CareVest Capital Blended Mortgage Investment Corp. - Preferred Shares	1,280,251.00	1,280,251.00
09/09/2010	3	CareVest Capital First Mortgage Investment Corp. - Preferred Shares	235,000.00	235,000.00

**Notice of Exempt Financings**

<b>Transaction Date</b>	<b># of Purchasers</b>	<b>Issuer/Security</b>	<b>Total Purchase Price (\$)</b>	<b># of Securities Distributed</b>
09/08/2009 to 09/10/2009	16	Centurion Minerals Ltd. - Common Shares	290,000.00	2,900,000.00
10/28/2009 to 10/30/2009	18	Centurion Minerals Ltd. - Common Shares	295,000.00	1,400,000.00
08/19/2008 to 12/03/2009	230	CFG Custom Portfolio Corporation - Units	2,817,646.00	476,476.87
08/31/2010	2	Chama Market Neutral 2X, Ltd. - Common Shares	21,278,000.00	20,000.00
08/25/2010	2	Choice Hotels International Inc. - Notes	3,184,395.02	3,000,000.00
08/12/2010	1	CommunityLend Inc. - Loan Agreements	3,330.00	1.00
05/11/2010	1	CSA Escrow Corporation - Notes	509,750.00	500.00
09/10/2010	1	CSMART PTN Trust - Notes	325,000,000.00	1.00
12/02/2009	10	Duran Ventures Inc. - Common Shares	495,000.00	N/A
11/13/2009	5	Duran Ventures Inc. - Common Shares	255,000.00	N/A
09/03/2010	1	Ellerslie GT-SDM Limited Partnership - Loans	75,000.00	3.00
09/08/2010 to 09/14/2010	2	First Leaside Expansion Limited Partnership - Units	1,100,000.00	1,100,000.00
09/10/2010	1	First Leaside Mortgage Fund - Trust Units	40,000.00	40,000.00
09/13/2010	1	First Leaside Ultimate Limited Partnership - Limited Partnership Units	2,429.96	2,364.00
09/08/2010	10	Foundation Group Capital Trust - Units	198,675.00	17,660.00
07/21/2010 to 08/20/2010	1	GMO Developed World Equity Investment Fund PLC - Units	159,188.39	6,615.83
01/01/2009 to 12/31/2009	2	GMO Emerging Illiquid Fund L.P. - Units	1,174,194.00	N/A
07/29/2010	1	GMO Emerging Markets Fund-IV - Units	5,000,000.04	385,101.62
01/01/2009 to 12/31/2009	1	GMO Global Active Equity Fund A - Units	20,500,000.00	N/A
07/12/2010	1	GMO Global Equity Allocation Fund-III in USD - Units	5,182,753.65	695,473.54
07/27/2010 to 08/09/2010	1	GMO International Core Equity Fund-IV - Units	2,578,186.70	94,759.98
08/04/2010 to 08/23/2010	1	GMO International Intrinsic Value Fund- II - Units	124,717.76	6,227.69
07/30/2010	1	GMO International Opportunities Equity Allocation Fund-III - Units	67,577.85	5,126.21
09/06/2010 to 09/14/2010	5	Great Western Minerals Group Ltd. - Debentures	5,000,000.00	0.00
08/23/2010 to 08/27/2010	44	IGW Real Estate Investment Trust - Units	1,680,472.12	0.00
04/23/2010	1	Imex Systems Inc. - Preferred Shares	350.00	N/A

**Notice of Exempt Financings**

<b>Transaction Date</b>	<b># of Purchasers</b>	<b>Issuer/Security</b>	<b>Total Purchase Price (\$)</b>	<b># of Securities Distributed</b>
04/23/2010	1	Imex Systems Inc. - Units	1,000,000.00	N/A
07/29/2010	19	Kaminak Gold Corporation - Common Shares	14,503,810.00	9,159,300.00
08/25/2010	2	Kilo Goldmines Ltd. - Units	300,000.00	1,500,000.00
08/09/2010	15	Maple Leaf Reforestation Inc. - Units	218,750.00	2,187,500.00
10/01/2009	13	Meekatharra Gold Corporation - Units	940,000.00	N/A
09/01/2010	1	Norfolk Power Distribution Inc. - Debentures	8,000,000.00	8,000.00
08/20/2010	39	OTISH Energy Inc. - Units	400,920.00	5,727,428.00
08/26/2010	4	Plazacorp Property Holdings Inc. - Loans	10,750,000.00	10,750,000.00
09/09/2010	42	Qutezal Energy Ltd. - Units	9,567,236.00	68,337,400.00
08/30/2010	1	Rio Cristal Resources Corporation - Units	314,249.25	3,500,000.00
07/31/2010	40	Rogers Oil & Gas Inc. - Debentures	704,100.00	0.00
09/03/2010 to 09/08/2010	2	Royal Bank of Canada - Notes	3,191,092.00	3,080.00
08/19/2010	10	Salares Lithium Inc. - Receipts	40,000,001.18	32,128,515.00
09/03/2010	1	San Gold Corporation - Common Shares	615,000.00	150,000.00
09/03/2010	1	SGX Resources Inc. - Common Shares	192,000.00	600,000.00
08/30/2010	9	Sparky Energy Corp. - Common Shares	1,007,700.00	2,015,400.00
08/12/2010	12	SQI Diagnostics Inc. - Units	5,698,975.00	2,280,000.00
03/12/2010 to 06/18/2010	22	Sundre Development Ltd. - Preferred Shares	665,000.00	66.50
09/08/2010	7	Sustainable Energy Technologies Ltd. - Preferred Shares	187,360.00	18,736.00
03/31/2010 to 04/13/2010	8	Tarsis Resources Ltd. - Flow-Through Shares	400,000.00	2,000,000.00
09/01/2010	7	The Investment Partners Fund - Units	744,636.75	43,475.58
08/26/2010	1	The Toronto-Dominion Bank - Notes	250,000.00	2,500.00
08/26/2010	4	The Toronto-Dominion Bank - Notes	250,000.00	2,500.00
09/03/2010	8	Tri Origin Exploration Ltd. - Common Shares	472,000.00	7,866,667.00
08/26/2010	1	UBS AG, Jersey Branch - Common Shares	676,146.00	500,000.00
08/26/2010	3	UBS AG, London Branch - Certificate	46,687.35	51.00
08/19/2010	1	UBS AG, London Branch - Common Shares	386,870.49	300,000.00
11/13/2009	1	UBS Emerging Market Funds - Units	63,934.94	42.11
08/13/2009	8	WestCan Uranium Corp. - Flow-Through Shares	42,200.00	1,055,000.00

**Notice of Exempt Financings**

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<b>Transaction Date</b>	<b># of Purchasers</b>	<b>Issuer/Security</b>	<b>Total Purchase Price (\$)</b>	<b># of Securities Distributed</b>
07/06/2010 to 07/14/2010	2	Western Wind Energy Corp. - Units	2,147,343.00	2,027,971.00
08/25/2010	2	Whiterock 219 Laurier Avenue West Ottawa Inc. - Loans	30,450,000.00	30,450,000.00
09/08/2010	1	Wimberly Fund - Trust Units	40,247.00	40,247.00
09/08/2010 to 09/13/2010	2	Wimberly Fund - Trust Units	31,708.00	31,708.00
09/01/2010	1	Woodstock Hydro Services Inc. - Debentures	1,800,000.00	1.00
08/27/2010	33	Yangaroo Inc. - Units	2,126,500.00	2,126.50
08/24/2010	18	Yankee Hat Minerals Ltd. - Common Shares	315,000.00	6,300,000.00
09/01/2010	1	York Credit Opportunities Unit Trust - Trust Units	52,485.00	N/A
09/01/2010	1	York Investment Limited - Common Shares	104,969,981.11	N/A
09/01/2010	1	York Select Unit Trust - Units	262,425.00	N/A
09/14/2010	3	Zelos Therapeutics Inc. - Notes	151,957.74	3.00
09/14/2010	6	Zelos Therapeutics Inc. - Notes	214,428.56	1.00

## Chapter 11

# IPOs, New Issues and Secondary Financings

---

**Issuer Name:**

Avalon Rare Metals Inc.  
Principal Regulator - Ontario

**Type and Date:**

Amended and Restated Preliminary Short Form Prospectus  
dated September 15, 2010  
NP 11-202 Receipt dated September 15, 2010

**Offering Price and Description:**

\$30,030,000.00 - 9,240,000 Units Price \$3.25 per Unit

**Underwriter(s) or Distributor(s):**

CIBC World Markets Inc.  
Laurentian Bank Securities Inc.  
Stonecap Securities Inc.  
Canaccord Genuity Corp.

**Promoter(s):**

-

**Project #1635113**

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**Issuer Name:**

Dividend Select 15 Corp.  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Long Form Prospectus dated September 17,  
2010  
NP 11-202 Receipt dated September 20, 2010

**Offering Price and Description:**

\$ \* - \* Shares Price: \$ \* per Share

**Underwriter(s) or Distributor(s):**

Scotia Capital Inc.  
CIBC World Markets Inc.  
RBC Dominion Securities Inc.  
BMO Nesbitt Burns Inc.  
National Bank Financial Inc.  
TD Securities Inc.  
HSBC Securities (Canada) Inc.  
Raymond James Ltd.  
Canaccord Genuity Corp.  
Dundee Securities Corporation  
Macquarie Capital Markets Canada Ltd.  
Wellington West Capital Markets Inc.  
Desjardins Securities Inc.  
Manulife Securities Incorporated

**Promoter(s):**

Quadravest Capital Management Inc.

**Project #1636538**

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**Issuer Name:**

Enbridge Inc.  
Principal Regulator - Alberta

**Type and Date:**

Preliminary Base Shelf Prospectus dated September 16,  
2010  
NP 11-202 Receipt dated September 16, 2010

**Offering Price and Description:**

\$2,000,000,000.00 - MEDIUM TERM NOTES  
(UNSECURED)

**Underwriter(s) or Distributor(s):**

TD Securities Inc.  
BMO Nesbitt Burns Inc.  
CIBC World Markets Inc.  
HSBC Securities (Canada) Inc.  
National Bank Financial Inc.  
RBC Dominion Securities Inc.  
Scotia Capital Inc.

**Promoter(s):**

-

**Project #1636136**

---

**Issuer Name:**

Great Western Minerals Group Ltd.  
Principal Regulator - Saskatchewan

**Type and Date:**

Preliminary Short Form Prospectus dated September 20,  
2010  
NP 11-202 Receipt dated September 20, 2010

**Offering Price and Description:**

Up to \$35,000,000.00 - \* Units Price: \$ \* per Unit

**Underwriter(s) or Distributor(s):**

Byron Securities Limited  
Salman Partners Inc.

**Promoter(s):**

-

**Project #1636891**

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**Issuer Name:**

Horizons BetaPro S&P 500® Index (C\$ Hedged) ETF  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Long Form Prospectus dated September 20,  
2010  
NP 11-202 Receipt dated September 21, 2010

**Offering Price and Description:**

-

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

BETAPRO MANAGEMENT INC.  
**Project #1637099**

**Issuer Name:**

Lorus Therapeutics Inc.  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Short Form Prospectus dated September 16, 2010

NP 11-202 Receipt dated September 17, 2010

**Offering Price and Description:**

\$ \* - Two rights to purchase One Unit at a purchase price of \$ \* per Unit

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

-

**Project #1636173**

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**Issuer Name:**

Marret High Yield Strategies Fund  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Short Form Prospectus dated September 17, 2010

NP 11-202 Receipt dated September 20, 2010

**Offering Price and Description:**

Maximum \$ \* - Maximum \* Units Price: \$ \* per Unit

**Underwriter(s) or Distributor(s):**

GMP Securities L.P.

TD Securities Inc.

CIBC World Markets Inc.

RBC Dominion Securities Inc.

BMO Nesbitt Burns Inc.

National Banks Financial Inc.

Scotia Capital Inc.

Dundee Securities Corporation

HSBC Securities (Canada) Inc.

Canaccord Genuity Corp.

Raymond James Ltd.

Macquarie Capital Markets Canada Ltd.

Manulife Securities Inc.

Wellington West Capital Markets Inc.

**Promoter(s):**

Marret Asset Management Inc.

**Project #1636330**

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**Issuer Name:**

Oceanus Resources Corporation  
Principal Regulator - Nova Scotia

**Type and Date:**

Preliminary CPC Prospectus dated September 13, 2010

NP 11-202 Receipt dated September 15, 2010

**Offering Price and Description:**

\$500,000.00 - (5,000,000 Common Shares) Price: \$0.10 per Common Share

**Underwriter(s) or Distributor(s):**

Macquarie Private Wealth Inc.

**Promoter(s):**

Richard Basil Gordon

**Project #1634842**

**Issuer Name:**

Rubicon Minerals Corporation  
Principal Regulator - British Columbia

**Type and Date:**

Preliminary Short Form Prospectus dated September 16, 2010

NP 11-202 Receipt dated September 16, 2010

**Offering Price and Description:**

\$ \* - 45,714,357 Common Shares Price: \$ \* per Common Share

**Underwriter(s) or Distributor(s):**

GMP Securities L.P.

**Promoter(s):**

-

**Project #1636149**

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**Issuer Name:**

Rubicon Minerals Corporation  
Principal Regulator - British Columbia

**Type and Date:**

Amended and Restated Preliminary Short Form Prospectus dated September 17, 2010

NP 11-202 Receipt dated September 17, 2010

**Offering Price and Description:**

\$190,171,725.00 - 45,714,357 Common Shares Price: \$4.16 per Common Share

**Underwriter(s) or Distributor(s):**

GMP Securities L.P.

**Promoter(s):**

-

**Project #1636149**

---

**Issuer Name:**

Taseko Mines Limited  
Principal Regulator - British Columbia

**Type and Date:**

Preliminary Base Shelf Prospectus dated September 17, 2010

NP 11-202 Receipt dated September 17, 2010

**Offering Price and Description:**

\$300,000,000.00:

Common Shares

Warrants

Subscription Receipts

Units

Debt Securities

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

-

**Project #1636444**



**Issuer Name:**

Vicwest Income Fund  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Short Form Prospectus dated September 17, 2010

NP 11-202 Receipt dated September 17, 2010

**Offering Price and Description:**

\$50,000,000.00 - 6.00% Convertible Unsecured Subordinated Debentures Due December 31, 2015

**Underwriter(s) or Distributor(s):**

Scotia Capital Inc.  
National Bank Financial Inc.  
CIBC World Markets Inc.  
Cormark Securities Inc.  
Macquarie Capital Markets Canada Ltd.  
Wellington West Capital Markets Inc.  
Canaccord Genuity Corp.  
Maison Placements Canada Inc.

**Promoter(s):**

-

**Project #1636333**

---

**Issuer Name:**

Wajax Income Fund  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Short Form Prospectus dated September 20, 2010

NP 11-202 Receipt dated September 20, 2010

**Offering Price and Description:**

\$127,039,333.50 - 4,577,994 Units Price: \$27.75 per Unit

**Underwriter(s) or Distributor(s):**

Scotia Capital Inc.  
BMO Nesbitt Burns Inc.  
CIBC World Markets Inc.  
TD Securities Inc.

**Promoter(s):**

-

**Project #1636806**

---

**Issuer Name:**

Bengal Energy Ltd.  
Principal Regulator - Alberta

**Type and Date:**

Final Short Form Prospectus dated September 14, 2010  
NP 11-202 Receipt dated September 15, 2010

**Offering Price and Description:**

Minimum Offering: \$8,000,000.00 or 8,000,000 Common Shares; Maximum Offering: \$12,000,000.00 or 12,000,000 Common Shares Price: \$1.00 per Common Share

**Underwriter(s) or Distributor(s):**

Wellington West Capital Markets Inc.  
Macquarie Capital Markets Canada Ltd.  
PI Financial Inc.  
Toll Cross Securities Inc.

**Promoter(s):**

-

**Project #1628330**

---

**Issuer Name:**

Series A, F and O units of:  
Bissett International Equity Fund  
Franklin Templeton Canadian Small Cap Fund and

Series A, F, I and O shares of the following classes of Franklin Templeton Corporate Class Ltd.:

Franklin Templeton Managed Yield Class  
Franklin Templeton Managed Corporate Yield Class  
Franklin Templeton Short-Term Yield Class  
Franklin Templeton U.S. Short-Term Yield Class  
Franklin Templeton Treasury Bill Yield Class  
Principal Regulator - Ontario

**Type and Date:**

Amendment #1 dated September 13, 2010 to the Simplified Prospectuses and Annual Information Form dated June 14, 2010

NP 11-202 Receipt dated September 16, 2010

**Offering Price and Description:**

-

**Underwriter(s) or Distributor(s):**

Franklin Templeton Investments Corp.  
Bissett Investment Management, a division of Franklin Templeton Investments Corp.

**Promoter(s):**

-

**Project #1577346**

---

**Issuer Name:**

BNS Split Corp. II  
Principal Regulator - Ontario

**Type and Date:**

Final Long Form Prospectus dated September 15, 2010  
NP 11-202 Receipt dated September 16, 2010

**Offering Price and Description:**

23,354,283.00 - 1,238,954 Class B Preferred Shares,  
Series 1

**Underwriter(s) or Distributor(s):**

Scotia Capital Inc.  
CIBC World Markets Inc.  
RBC Dominion Securities Inc.  
National Bank Financial Inc.  
TD Securities Inc.

**Promoter(s):**

Scotia Managed Companies Administration Inc.  
**Project #1617649**

---

**Issuer Name:**

Bowood Energy Inc.  
Principal Regulator - Alberta

**Type and Date:**

Final Short Form Prospectus dated September 15, 2010  
NP 11-202 Receipt dated September 15, 2010

**Offering Price and Description:**

Minimum Offering: 60,000,000.00 Subscription Receipts  
each representing the right to receive one Common Share;  
Maximum Offering: 80,000,000.00 Subscription Receipts  
each representing the right to receive one Common Share  
Price: \$0.25 per Subscription Receipt

**Underwriter(s) or Distributor(s):**

GMP Securities L.P.  
Haywood Securities Inc.

**Promoter(s):**

-

**Project #1632862**

---

**Issuer Name:**

Can-60 Income Corp.  
Principal Regulator - Ontario

**Type and Date:**

Final Long Form Prospectus dated September 15, 2010  
NP 11-202 Receipt dated September 16, 2010

**Offering Price and Description:**

Maximum \$400,000,000.00 (40,000,000 Shares) \$10.00  
per Share

**Underwriter(s) or Distributor(s):**

CIBC World Markets Inc.  
National Bank Financial Inc.  
RBC Dominion Securities Inc.  
BMO Nesbitt Burns Inc.  
Scotia Capital Inc.  
TD Securities Inc.  
Canaccord Genuity Corp.  
GMP Securities L.P.  
HSBC Securities (Canada) Inc.  
Wellington West Capital Markets Inc.  
Macquarie Private Wealth Inc.  
Raymond James Ltd.  
Dundee Securities Corporation  
Mackie Research Capital Corporation

**Promoter(s):**

First Asset Investment Management Inc.  
**Project #1622978**

---

**Issuer Name:**

Canexus Income Fund  
Principal Regulator - Alberta

**Type and Date:**

Final Short Form Prospectus dated September 21, 2010  
NP 11-202 Receipt dated September 21, 2010

**Offering Price and Description:**

\$60,000,000.00 - 5.75% Convertible Unsecured  
Subordinated Series III Debentures Price: \$1,000 per  
Series III Debenture

**Underwriter(s) or Distributor(s):**

Scotia Capital Inc.  
CIBC World Markets Inc.  
National Bank Financial Inc.  
TD Securities Inc.  
HSBC Securities (Canada) Inc.  
Acumen Capital Finance Partners Limited

**Promoter(s):**

-

**Project #1635223**

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**Issuer Name:**

Chou Asia Fund  
Chou Associates Fund  
Chou Bond Fund  
Chou Europe Fund  
Chou RRSP Fund  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectuses dated September 14, 2010  
NP 11-202 Receipt dated September 15, 2010

**Offering Price and Description:**

SERIES A UNITS AND SERIES F UNITS

**Underwriter(s) or Distributor(s):**

-

**Promoter(s):**

Chou Associates Management Inc.

**Project #1618941**

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**Issuer Name:**

Colorado Resources Ltd.  
Principal Regulator - British Columbia

**Type and Date:**

Final Long Form Prospectus dated September 16, 2010  
NP 11-202 Receipt dated September 21, 2010

**Offering Price and Description:**

\$2,000,000.00 - 5,000,000 UNITS AT A PRICE OF \$0.40 PER UNIT

**Underwriter(s) or Distributor(s):**

Canaccord Genuity Corp.

**Promoter(s):**

Adam Travis  
Terese Gieselman

**Project #1598558**

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**Issuer Name:**

Fidelity Corporate Bond Fund  
(Series A, Series B, Series F and Series O Securities);  
and  
Fidelity Corporate Bond Capital Yield Class of Fidelity  
Capital Structure Corp.  
(Series A, Series B, Series F, Series T5, Series F5 and  
Series S5 shares)  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectuses dated September 10, 2010  
NP 11-202 Receipt dated September 17, 2010

**Offering Price and Description:**

Series A, Series B, Series F and Series O Securities;  
Series A, Series B, Series F Series S5, Series T5 and  
Series F5 shares

**Underwriter(s) or Distributor(s):**

Fidelity Investments Canada ULC

**Promoter(s):**

FIDELITY INVESTMENTS CANADA ULC

**Project #1607941**

**Issuer Name:**

iShares DEX HYBRID Bond Index Fund  
iShares S&P/TSX North American Preferred Stock Index  
Fund (CAD-Hedged)  
Principal Regulator - Ontario

**Type and Date:**

Final Long Form Prospectus dated September 16, 2010  
NP 11-202 Receipt dated September 17, 2010

**Offering Price and Description:**

Trust Units

**Underwriter(s) or Distributor(s):**

Blackrock Asset Management Canada Limited

**Promoter(s):**

-

**Project #1617308**

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**Issuer Name:**

Pathway Mining 2010-II Flow-Through Limited Partnership  
Principal Regulator - Ontario

**Type and Date:**

Final Long Form Prospectus dated September 16, 2010  
NP 11-202 Receipt dated September 20, 2010

**Offering Price and Description:**

\$15,000,000.00 (Maximum Offering); \$5,000,000.00  
(Minimum Offering) - A Maximum of 1,500,000 and a  
Minimum of 500,000 Limited Partnership Units @  
\$10.00/Unit

**Underwriter(s) or Distributor(s):**

Wellington West Capital Inc.  
HSBC Securities (Canada) Inc.  
BMO Nesbitt Burns Inc.  
Burgeonvest Bick Securities Limited  
Mackie Research Capital Corporation  
Raymond James Ltd.  
Canaccord Genuity Corp.  
Macquarie Capital Markets Canada Ltd.  
Dundee Securities Corporation  
M Partners Inc.  
MGI Securities Inc.

**Promoter(s):**

Pathway Mining 2010-II Inc.

**Project #1604706**

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**Issuer Name:**

Shamrock Enterprises Inc.  
Principal Regulator - British Columbia

**Type and Date:**

Final Long Form Prospectus dated September 15, 2010  
NP 11-202 Receipt dated September 15, 2010

**Offering Price and Description:**

Minimum: 3,600,000.00 common shares, \$900,000.00;  
Maximum: 4,000,000 common shares, \$1,000,000.00:  
Price: \$0.25 per common share

**Underwriter(s) or Distributor(s):**

Northern Securities Inc.

**Promoter(s):**

Gordon R. Osinchuk

**Project #1618485**

**Issuer Name:**

Sprott Physical Gold Trust  
Principal Regulator - Ontario

**Type and Date:**

Final Long Form Prospectus dated September 16, 2010  
NP 11-202 Receipt dated September 17, 2010

**Offering Price and Description:**

-

**Underwriter(s) or Distributor(s):**

RBC Dominion Securities Inc.  
Morgan Stanley Canada Ltd.

**Promoter(s):**

Sprott Asset Management LP

**Project #1632745**

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## Chapter 12

# Registrations

### 12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Name Change	From: Right Side Capital Corp.  To: Blueport Capital Corp.	Exempt Market Dealer	August 16, 2010
New Registration	Vertex One Asset Management Inc.	Exempt Market Dealer, Portfolio Manager, and Investment Fund Manager	September 15, 2010
Change in Registration Category	McLean & Partners Wealth Management Ltd.	From: Investment Dealer  To: Investment Dealer and Investment Fund Manager	September 16, 2010
New Registration	Casimir Capital Ltd.	Investment Dealer	September 16, 2010
Change in Registration Category	MacNicol & Associates Asset Management Inc.	From: Exempt Market Dealer and Portfolio Manager  To: Exempt Market Dealer, Portfolio Manager, and Investment Fund Manager	September 16, 2010
Change of Category of Registration	Segall Bryant & Hamill	From: International Adviser  To: Portfolio Manager	September 16, 2010
Consent to Suspension	Casimir Capital L.P.	Exempt Market Dealer	September 17, 2010
Change in Registration Category	Triumph Asset Management Inc.	From: Exempt Market Dealer and Portfolio Manager  To: Exempt Market Dealer, Portfolio Manager, and Investment Fund Manager	September 17, 2010

**Registrations**

<b>Type</b>	<b>Company</b>	<b>Category of Registration</b>	<b>Effective Date</b>
Change in Registration Category	Pareto Investment Management Limited	From: International Adviser To: Portfolio Manager	September 17, 2010
Change in Registration Category	Investors Group Financial Services Inc.	From: Mutual Fund Dealer and Exempt Market Dealer To: Mutual Fund Dealer	September 17, 2010
Change in Registration Category	Portland Investment Counsel Inc.	From: Mutual Fund Dealer, Exempt Market Dealer and Portfolio Manager To: Mutual Fund Dealer, Exempt Market Dealer, Portfolio Manager, and Investment Fund Manager	September 20, 2010
Change in Registration Category	Brookfield Soundvest Capital Management Ltd.	From: Exempt Market Dealer and Portfolio Manager To: Exempt Market Dealer, Portfolio Manager, and Investment Fund Manager	September 20, 2010
New Registration	Aberdeen Fund Distributors, LLC	From: International Dealer-Exemption To: Exempt market dealer	September 20, 2010
New Registration	Edgehill Partners	Exempt Market Dealer, Portfolio Manager, and Investment Fund Manager	September 20, 2010
Change in Registration Category	Jarislowsky, Fraser Limited	From: Portfolio Manager To: Portfolio Manager and Investment Fund Manager	September 20, 2010

**Registrations**

<b>Type</b>	<b>Company</b>	<b>Category of Registration</b>	<b>Effective Date</b>
Change of Category	One Financial Corporation	From: Exempt Market Dealer  To: Exempt Market Dealer, Portfolio Manager and Investment Fund Manager under the <i>Securities Act</i> and Commodity Trading Manager under the <i>Commodities Futures Act</i> .	September 20, 2010
Change of Category	Quadrus Investment Services Ltd.	From: Mutual Fund Dealer and Exempt Market Dealer  To: Mutual Fund Dealer	September 21, 2010

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## Chapter 13

# SROs, Marketplaces and Clearing Agencies

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### 13.2 Marketplaces

#### 13.2.1 CNSX Notice 2010-005 – Notice and Request for Comments – Amendments to CNSX Rules 1, 3, 4, and 11 including the repeal of Rules 4-107 – Entry of Orders for Market Maker Securities and 4-108 – Fair Prices, and the addition of Rule 12

#### NOTICE 2010-005

#### NOTICE AND REQUEST FOR COMMENTS

#### AMENDMENTS TO CNSX RULES 1, 3, 4, AND 11 INCLUDING THE REPEAL OF RULES 4-107 – ENTRY OF ORDERS FOR MARKET MAKER SECURITIES AND 4-108 – FAIR PRICES, AND THE ADDITION OF RULE 12

September 24, 2010

The Board of Directors of CNSX Markets Inc. (the “Board”) has approved amendments to the CNSX Rules, which are set out below. The main changes are that Rules 4-107 Entry of Orders for Market Maker Securities and 4-108 Fair Prices would be repealed. Certain sections of Rule 11 would be repealed and their substantive requirements incorporated into Rule 4 and proposed new Rule 12 Access by Eligible Clients would be added. Amendments are also proposed to the requirements relating to eligible clients to update them to reflect current practices. Minor housekeeping and consequential amendments will be made to Rule 3 Governance of Trading, and several amendments have been proposed to update or clarify existing definitions in Rule 1.

The Board has determined that the proposed amendments to the Rules (the Amendments) described in this notice are in the public interest and has authorized them to be published for public notice and comment. The text of the Amendments to Rules 1, 3, 4 and 11 and the text of proposed new Rule 12 are attached as Appendix A and the text of the Rules is attached as Appendix B. The Amendments will be effective upon approval by the Ontario Securities Commission, following public notice and comment.

Comments should be made no later than 30 days from the date of publication of this notice and should be addressed to:

Mark Faulkner  
Director, Listings and Regulation  
CNSX Markets Inc.  
220 Bay Street, 9<sup>th</sup> Floor  
Toronto, ON,  
M5J 2W4  
Fax: 416.572.4160  
Email: [Mark.Faulkner@cnsx.ca](mailto:Mark.Faulkner@cnsx.ca)

A copy should be provided to:

Susan Greenglass  
Director, Market Regulation  
Ontario Securities Commission  
Suite 1903, Box 55  
20 Queen Street West  
Toronto, ON,  
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Terms not defined in this Notice are defined in the CNSX Rules.

## **Background**

CNSX Markets Inc. (“CNSX Markets”, or the “Exchange”) operates the Canadian National Stock Exchange (“CNSX” or the “listed market”) and Pure Trading (the Alternative Market), a facility for trading, but not listing, the securities of companies listed on Canadian stock exchanges. To support both CNSX and Pure Trading, CNSX Markets currently operates two different instances of its trading system software. In order to reduce the software and operational costs of deploying two systems to the organization and to simplify the means of access for investors, the Exchange intends to operate CNSX and Pure Trading with identical versions of the “X-stream” trading system.

The review of the Rules for the single system project provided an opportunity to update other parts of the Rules, including the sections relating to trading by eligible clients.

### **I. Rationale**

CNSX Markets is proposing amendments to its Rules necessary to allow for the migration of CNSX-listed securities to the software version employed on the Pure Trading platform. A common set of rules for all securities traded on CNSX Markets would eliminate the need for different compliance procedures for trading on CNSX and Pure Trading, potentially lowering compliance costs for CNSX Dealers.

There have been several periods during which one or more securities were listed on both CNSX and Toronto Stock Exchange or TSX Venture Exchange. The inclusion of CNSX listed securities on the same version of the system used for Pure Trading will facilitate the provision of smart order routing services to ensure order protection. As order entry systems are currently connected to Pure Trading, it should be a straightforward exercise for service providers to add CNSX securities to the routing tables as necessary. Also, if an ATS were to post CNSX securities for trading, the provision of smart order routing services would be accomplished more readily.

### **II. Description of Amendments**

Some of the proposed changes are required to accommodate the trading of listed securities and Alternative Market securities in an identical system, others update the requirements for eligible client access, and several other amendments are proposed to harmonize and simplify the Rules.

The substantive changes to the Rules include the elimination of the requirement to provide, in all cases, price improvement from the bid or offer when executing a cross. Currently, when entering a cross for a CNSX-listed security a CNSX Dealer may only enter the cross in between the bid/ask spread, which imposes a greater restriction than what is allowed under the Universal Market Integrity Rules (UMIR).

The changes would also repeal member regulation related requirements that have been superseded by IROC requirements, extend trading access for eligible clients to all securities, and clarify the latter requirements to address current practices by CNSX Dealers.

The amended text of the Rules is attached as Appendix A and the text of the Rules is attached as Appendix B.

#### **Rule 3 Governance of Trading**

Rule 3-101(2) is amended to clarify the personnel to whom the President can delegate the authority to reduce, suspend or otherwise alter a trading session in the event of an emergency or technical problem with the CNSX Trading System.

#### **Rule 4 Trading of CNSX-Listed Securities**

Rule 4 is renamed “Trading of Securities” and will apply to trading in all securities, eliminating the need for distinct rules for Alternative Market Securities.

Rule 4-103 currently specifies the minimum price variation and is identical to UMIR order entry price increments. As this is subject to UMIR the provision has been made more general to provide flexibility.

Rule 4-106 restricts the entry of crosses to “between the bid and offer”, and will be amended to “at or between the bid and offer”, consistent with UMIR and the other stock exchanges.

Partially disclosed orders will require disclosure of at least a board lot or such greater amount as may be prescribed, rather than the current 50% of the order.

In addition, we are proposing to repeal Rule 4-107 Entry of Orders for Market Maker Securities, and Rule 4-108 Fair Prices. Rule 4-107 restricts CNSX Dealers that are not Designated Market Makers from entering jitney orders on Market Maker Securities. It was intended to encourage CNSX Dealers to participate as Market Makers and to assist Participants that were not CNSX Dealers in managing their client order flow. There is now more participation from CNSX Dealers generally, and lower participation as Designated Market Makers. The Rule is no longer necessary, and is inconsistent with the rules of other marketplaces.

Repeal of Rule 4-108: this is a Rule that predates the recognition of CNSX Markets as a stock exchange and applies to CNSX Dealers executing trades with customers. The principles are covered by IIROC requirements and IIROC is in a better position to oversee the interaction between dealer and client that is not related to the entry of orders.

Amendments to Rule 4-109 include the deletion of unnecessary rule references and of a specific reference to "hit and take orders", which are already included as "orders".

Changes are required to Rule 4-111 to reflect the allocation method for order execution currently used in the Alternative Market and other marketplaces. Rather than the current allocation of absolute time priority, the change will result in allocation first to offsetting orders of the CNSX Dealer, then to all other orders by time priority.

Repeal of Rule 4-113(6) – Autoquote Restrictions. The prohibition on the use of "automatic quotation update techniques or systems ..." by Market Makers predates recognition as a stock exchange and is an unnecessary restriction.

Repeal of Rule 4-114(2). This rule entitles a Market Maker to charge a fee for handling an order. We propose to remove this from the Rules as the Rules are not intended to define or influence the business relationship between CNSX Dealers. Repeal of the Rule will not deny a Market Maker the right to charge a fee or commission.

### **Rule 11 Trading of Alternative Market Securities**

Rule 11-101 Application of Rules is amended to a simple statement to the effect that, with the exception of Rule 9 Reporting of Trades, all Rules apply to Alternative Market Securities and CNSX listed securities. Rules 11-103 and 11-104 will be renumbered as Rules 12-101 and 12-102. Rules 11-105 through 11-111 will be repealed, as the proposed amendments will combine the substance of these rules with Rule 4 Trading of Securities.

### **Rule 12 Access by Eligible Clients**

Rule 12 Access by Eligible Clients would now include the substance of Rule 11-102 and is divided into sections relating to eligibility requirements, conditions for providing access, and responsibility of dealers. These changes also allow for eligible client access to the CNSX Trading System to trade all securities, removing the distinction between the Listed Market and the Alternative Market. The current practices of transmission through the dealers' systems and third party vendors' systems are now both reflected. We also propose to transfer to CNSX Dealers the currently impractical exchange obligation to ensure CNSX Dealers' systems meet the requirements defined in the Rule, and add a provision for CNSX Dealers to provide similar controls over access through third-party vendors. Such a provision is already included in the rules of other exchanges.

## **III. Consultation and Review**

The proposed amendments began as part of a comprehensive strategy to improve efficiency and performance of the trading systems. A common trading platform provides significant reductions in cost, software development and support efforts. While no specific consultation sessions were held with respect to the Rule amendments, discussions with customers during routine operations indicate a strong level of support for the technological changes. The amendments are required to facilitate those changes. Amendments relating to the eligible client access were based on discussions with OSC and IIROC staff and current regulatory initiatives in that area.

## **IV. Comparable Rules**

With respect to price improvement when posting a cross, the current CNSX Rules impose a greater restriction than what is allowed under UMIR. CNSX Markets is the only exchange in Canada to require that price improvement. Removing the requirement will result in uniformity in the rules across all visible marketplaces.

None of the other stock exchanges in Canada restrict jitney activity to designated market makers.

Eligible clients are provided access to the other Canadian stock exchanges, and currently to Pure Trading as well. Allowing the same access to trade CNSX-listed securities will simplify the dealer/client agreement and routing options for those clients.

**V. Impact**

No technological changes will be required as a result of the Rule amendments. Compliance should be simplified, given that the Amendments eliminate or reduce requirements unique to CNSX Markets.

**VI. Alternatives**

The obvious alternative is to continue operating two trading systems. The costs and ongoing support efforts to maintain and update two distinct trading platforms however, are disproportionate to the minor differences between them.

Two different trading systems would facilitate the maintenance of the principle of absolute priority in the listed market and the current system of priority and allocation in the Alternative Market. Several of the Universal Market Integrity Rules relate to the execution of client orders, and more specifically customer/principal trades. The additional CNSX requirement that currently exists for price protection is a marketplace specific rule that may provide a marginal improvement in fill quality, yet no other marketplace in Canada has adopted it. Given the protection already in place through UMIR requirements, CNSX Markets believes that uniformity in the rules will create less confusion and better compliance with all trading rules.

**VII. Public Interest Assessment**

In accordance with the "Rule Review Process" set out in Appendix B of the CNSX Markets Inc. Recognition Order, the changes include amendments that are classified as "public interest". The Amendments will be effective following public notice, a comment period, and OSC approval. For ease of review, certain housekeeping changes were included to definitions, e.g. "CNSX Markets", instead of "CNSX" and "CNSX Trading System" instead of "CNSX System". Further housekeeping changes will be published upon approval of the Amendments to make the other Rules consistent in these respects.

**VIII. Questions**

Questions about this Notice should be directed to Mark Faulkner, Director, Listings & Regulation at 416.572.200 x2305 or [Mark.Faulkner@cnsx.ca](mailto:Mark.Faulkner@cnsx.ca).

**IX. Attachments**

The text of the Amendments, shown as blacklined text, is attached as Appendix A and the text of the Rules is attached as Appendix B.

Appendix A – Text of the Amendments

RULE 1

INTERPRETATION AND GENERAL PROVISIONS

1-101 Definitions

(2) In these Rules, unless the subject matter or context otherwise requires:

**“Alternative Market”** means the ~~market~~Pure Trading facility for trading Alternative Market securities operated by CNSX Markets;

**“Client Matching Order”** ~~[deleted May 4, 2007]~~

**“CNSX”** ~~means~~ and “CNSX listed market” both mean the Canadian National Stock Exchange operated by CNSX Markets Inc.

**“CNSX Board”** means the Board of Directors of CNSX Markets and includes any committee of the CNSX’s Markets Board of Directors to which powers have been delegated in accordance with the by-laws or the Rules.

**“CNSX Issuer”** ~~means~~ and “Issuer” both mean an issuer which has its securities qualified for listing on the CNSX Trading System or which has applied to have its securities qualified~~approved~~ for listing on the CNSX Trading System, as applicable.

**“CNSX listed market”** means the market for trading CNSX-listed securities.

**“CNSX-listed security”** or “listed security” means a security that has been listed and approved for trading on CNSX and, for greater certainty includes a CNSX-listed security that is also listed on another Canadian stock exchange;

**“CNSX Markets”** and **“Exchange”** both mean CNSX Markets Inc.

**“CNSX Trading System”** means the electronic system operated by CNSX for receiving orders and trading and quoting securities.

**“CNSX Trading and Access Systems”** includes all facilities and services ~~provide~~provided by CNSX Markets to facilitate ~~quotation and trading, including, but not limited to: the CNSX Trading System; data~~order entry services; any other computer-based ~~quotation and trading systems and programs, communications facilities between a system operated or maintained by CNSX Markets and a trading or order routing system operated or maintained by a CNSX Dealer, another market or other person approved by CNSX Markets; a communications network linking quotation dissemination, trade reporting and order execution systems; and the content entered, displayed and processed by the foregoing, including price quotations~~order and other market information provided by or through CNSX Markets.

**“Fill or Kill Order”** ~~means~~ immediate or cancel” and “IOC” both mean an order that is ~~filled~~must execute immediately, ~~in whole or in part, with and may receive a full or partial fill, after which~~ any unfilled balance cancelled from the CNSX System and **“fill or kill basis”** ~~means entering an order as a Fill or Kill Order~~will expire.

**“listed security”** means a security of a CNSX Issuer listed on the CNSX System.

**“Policy”** means any policy statement, direction or decision adopted by the CNSX Board or any committee of the CNSX Board in connection with the administration or application of the Rules as such policy statement is amended, supplemented and in effect from time to time.

**“recognized self-regulatory organization”** means a self-regulatory organization recognized by the Commission applicable securities regulatory authority.

“**Regulation**” means Ontario Regulation 1015 – General Regulation made under the Securities Act, as amended from time to time.

~~“**take order**” means a market or limit order entered on a Fill or Kill basis to buy up to the amount available on the offer.~~

### RULE 3

#### GOVERNANCE OF TRADING

##### 3-101 Trading Sessions

- (1) The CNSX Trading System shall be open for order entry and trading on each Business Day.
- (2) Unless otherwise changed by resolution of the Board, the CNSX Trading System shall be open for continuous trading from 8:00 a.m. to 6:00 p.m.

##### 3-102 Trading Suspensions and Halts

- (1) The CNSX Board may at any time:
  - (a) suspend order entry and trading on the CNSX Trading System;
  - (b) close the CNSX Trading System; or
  - (c) reduce, extend or otherwise alter the time of operation of the CNSX Trading System.
- (2) The CNSX Board, the Chairman, the CEO, the President or a member of senior officer management designated by the President to act in his or her absence may, in the event of an emergency or a technical problem with the CNSX Trading and Access Systems that is substantially impairing trading or will likely substantially impair trading if not resolved,
  - (a) suspend all order entry and trading or order entry and trading in particular ~~CNSX-listed securities~~ in the CNSX Trading System for that Trading Day; or
  - (b) reduce, extend or otherwise alter the time of operation of the CNSX Trading System for that Trading Day.
- (3) The Market Regulator may halt order entry and trading on the CNSX Trading System in any ~~CNSX-listed security~~ at any time and for such period of time as the Market Regulator may consider appropriate in the interest of a fair and orderly market.
- (4) Notwithstanding any other provision, the Market Regulator may delay the opening of trading in any ~~CNSX-listed security~~ in the CNSX Trading System until after the customary time of opening for any period in order to assist in the orderly opening of such trading.

### RULE 4

#### TRADING OF CNSX-LISTED SECURITIES

##### ORDER ENTRY AND TRADING ON THE CNSX SYSTEM

##### 4-101 Access to CNSX Trading System

- (1) A CNSX Dealer shall not permit any person to trade on the CNSX Trading System unless such person is
  - (a) is an Approved Trader in good standing on the Toronto Stock Exchange or the TSX Venture Exchange;

- (b) has successfully completed the Trader Training Course of the Canadian Securities Institute; or
  - (c) has completed such other courses to ensure proficiency in the CNSX Rules as CNSX Markets may determine from time to time.
- (2) A CNSX Dealer shall ensure that each person entering orders on the CNSX Trading System has all necessary registrations under applicable securities legislation and is trained in and understands these Rules.
- (3) A CNSX Dealer's trade supervision procedures adopted pursuant to Part 7.1 of UMIR shall include provisions to monitor trading on the CNSX Trading System in compliance with these Rules.

**4-102 General Rules Applicable to Order Entry**

- (1) Each order entered on the CNSX Trading System shall be subject to any special rule or direction issued by CNSX Markets or the Market Regulator with respect to:
- (a) clearing and settlement; and
  - (b) entitlement of the purchaser to receive a dividend, interest or any other distribution made or right given to holders of that security.
- (2) Each order entered on the CNSX Trading System shall contain in addition to the UMIR required identifiers and designations a designation acceptable to the Market Regulator, if the order is:
- (a) a Market Maker short sale exempt order; or
  - (b) of a type for which CNSX Markets or the Market Regulator may from time to time require a specific or particular designation.
- (3) A CNSX Dealer entering a client order on CNSX Trading System which is a distribution of a security of a CNSX Issuer being made in reliance on Multilateral Instrument 45-102 shall not enter the client order until the Form 45-102F3 Notice of Intention to Distribute Securities and Accompanying Declaration has been filed with the Commission and posted concurrently by the CNSX Issuer on behalf of the seller on the CNSX.ca website within the time frame prescribed in Multilateral Instrument 45-102.

**4-103 Minimum Price Variation**

The minimum trading increment for ~~in the~~ CNSX-listed securities Trading System shall be as follows: ~~determined by the~~ CNSX Board, subject to UMIR.

<b>Price per security</b>	<b>Increment</b>
less than \$0.50	\$0.005
\$0.50 and higher	\$0.01

**4-104 Advantage Goes with Securities Sold**

- (1) In all trades of CNSX-listed securities, all entitlements to receive dividends or any other distribution made or right given to holders of that security shall pass with the security and shall belong to the purchaser, unless otherwise provided by CNSX, the Market Regulator or the parties to the trade by mutual agreement.
- (2) Claims for dividends, rights or any other benefits to be distributed to holders of record of CNSX-listed securities on a certain date shall be made in accordance with the procedures established by the Clearing Corporation.
- (3) If subscription rights attaching to securities are not claimed by the persons entitled to those rights at least twenty-four hours before the expiration of the time within which trading in respect of such rights may take place on the CNSX Trading System, a CNSX Dealer holding such rights may, in its direction, sell or exercise all or any part of such rights, and shall account for such sale or exercise to the person or persons entitled to such rights, but in no case shall a CNSX Dealer be liable for any loss arising through failure to sell or exercise any unclaimed rights.

#### 4-105 Foreign Currency Trading

- (1) A report of a cross trade in a CNSX-listed security agreed to in a foreign currency that is reported in Canadian dollars shall be converted to Canadian dollars using the mid-market spot rate or 7-day forward exchange rate in effect at the time of the trade, plus or minus 15 basis points, rounded down to the nearest whole cent, and vice versa.
- (2) The CNSX Dealer making the cross shall keep a record of the exchange rate used.

#### TYPES OF ORDERS THAT MAY BE ENTERED

##### 4-106 Entry of Orders for CNSX-Listed Securities

- (1) Subject to Rule 4-107, any CNSX Dealer may enter
  - (a) orders; and
  - (b) crosses at any price between the bid and offerinto the CNSX Trading System for a CNSX-listed security.
- (2) Orders (other than special terms orders Special Terms Orders and crosses) may be entered on a fully-disclosed or partially disclosed basis.
- (3) Orders entered on a partially-disclosed basis must disclose at least 50% of the total volume on entry and must be at least 5 Board Lots in size one board lot or such greater amount as may be prescribed.

##### 4-107 Entry of Orders for Market Maker Securities [Repealed]

- (1) Only a Designated Market Maker may enter
  - (a) orders and
  - (b) crosses at any price between the bid and offerinto the CNSX System on behalf of another participant for a Market Maker security.

#### MARKET INTEGRITY RULES

##### 4-108 Fair Prices

A CNSX Dealer dealing in a CNSX-listed security for its own account with a customer shall buy or sell at a fair price, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that it is entitled to a profit; and if the Dealer acts as agent in any such transaction, it shall not charge the customer more than a fair commission or service charge, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense of executing the order and the value of any service it may have rendered by reason of its experience in and knowledge of such security and the market.

##### **Commentary: Rule 4-108 — Mark-Up Policy**

It is a violation of Rule 4-108 for a CNSX Dealer to enter into any transaction with a customer in any CNSX-listed security at any price not reasonably related to the current market price of the security or to charge a commission that is not reasonable. The Ontario Securities Commission has also held that excessive mark-ups are contrary to public policy in several enforcement actions against securities dealers operating in the over-the-counter market.

The following guidelines, which are adapted from the NASD Regulation Inc. IM-2440, apply to dealings with customers in CNSX listed securities. In addition, CNSX Dealers are reminded that all other applicable rules (for example, the best execution and customer-principal trading rules) also apply to trades subject to Rule 4-108.

##### (1) General Considerations

- (a) A dealer shall not excessively charge a customer on a transaction in a CNSX security. "Charges," which are referred to as "mark-ups" in this Policy, may take the form of premiums or discounts from the prevailing market price,



commissions, or profit from the difference between acquisition and disposition price in a riskless or near-riskless trade. Generally speaking, mark-ups should not be more than 5% of the purchase price, but this is a guideline and not a limit. Depending on the circumstances, a mark-up pattern of 5% or even less may be considered unfair or unreasonable while, in other circumstances, mark-ups above 5% may be justified.

- (b) — A Dealer may not justify mark-ups on the basis of expenses that are excessive.
- (c) — The mark-up over the prevailing market price is the significant spread from the point of view of fairness of dealings with customers in principal transactions. *In the absence of other bona fide evidence of the prevailing market, a Dealer's own contemporaneous cost is the best indication of the prevailing market price of a security.*
- (d) — Determination of the fairness of mark-ups must be based on a consideration of all the relevant factors, of which the percentage of mark-up is only one.

**(2) — Relevant Factors**

Some of the factors which CNSX Dealers should take into consideration in determining the fairness of a mark-up are as follows:

- (a) — *The Availability of the Security in the Market.* In the case of an inactive security the effort and cost of buying or selling the security, or any other unusual circumstances connected with its acquisition or sale, may have a bearing on the amount of mark-up justified.
- (b) — *The Price of the Security.* While there is no direct correlation, the percentage of mark-up or rate of commission generally increases as the price of the security decreases. Even where the amount of money is substantial, transactions in lower priced securities may require more handling and expense and may warrant a wider spread.
- (c) — *The Amount of Money Involved in a Transaction.* A transaction which involves a small amount of money may warrant a higher percentage of mark-up to cover the expenses of handling.
- (d) — *Disclosure.* Any disclosure to the customer, before the transaction is effected, of information that would indicate (i) the amount of commission charged in an agency transaction or (ii) mark-up made in a principal transaction is a factor to be considered. Disclosure itself, however, does not justify a commission or mark-up which is unfair or excessive in light of all other relevant circumstances.
- (e) — *The Pattern of Mark-Ups.* While each transaction must meet the test of fairness, CNSX believes that particular attention should be given to the pattern of a Dealer's mark-ups.
- (f) — *The Nature of the Dealer's Business.* Different services and facilities are needed by, and provided for, customers of Dealers. If not excessive, the cost of providing such services and facilities, particularly when they are of a continuing nature, may properly be considered in determining the fairness of a Dealer's mark-ups.

**(3) — Transactions to Which the Policy is Applicable**

The Policy applies to trading in CNSX-listed securities, and particular, in the following transactions:

- (a) — A transaction in which a Dealer buys a security to fill an order for the same security previously received from a customer. This transaction would include the so-called "riskless" or "simultaneous" transaction.
- (b) — A transaction in which the Dealer sells a security to a customer from inventory. In such a case the amount of the mark-up would be determined on the basis of the mark-up over the bona fide representative current market. The amount of profit or loss to the Dealer from market appreciation or depreciation before, or after, the date of the transaction with the customer would not ordinarily enter into the determination of the amount or fairness of the mark-up. If however, the Dealer dominates trading in the market or is part of a group that dominates trading in the market, the acquisition or disposition cost before or after the date of the transaction with the customer is the basis on which the mark-up is to be calculated, and not the prevailing market at the time of the trade.
- (c) — A transaction in which a Dealer purchases a security from a customer. The price paid to the customer or the mark-down applied by the Dealer must be reasonably related to the prevailing market price of the security. Again, if the Dealer dominates trading in the market or is part of a group that dominates trading in the market, the acquisition or disposition cost before or after the date of the transaction with the customer is the basis on which the mark-down is to be calculated, and not the prevailing market at the time of the trade.

- (d) ~~— A transaction in which the Dealer acts as agent. In such a case, the commission charged the customer must be fair in light of all relevant circumstances.~~
- (e) ~~— Transactions wherein a customer sells securities to, or through, a Dealer, the proceeds of which are utilized to pay for other securities purchased from, or through, the Dealer at or about the same time. In such instances, the mark-up shall be computed in the same way as if the customer had purchased for cash and in computing the mark-up there shall be included any profit or commission realized by the Dealer on the securities being liquidated, the proceeds of which are used to pay for securities being purchased.~~

**4-108 [Repealed]**

**TRADING IN THE SYSTEM**

**4-109 Trading at the Opening**

- (1) Subject to Rules 4-106, 4-107, and 4-114, ~~the~~The following orders may be entered prior to the opening:
  - (a) ~~limit orders; and~~
  - (b) ~~unpriced orders; and,~~
  - (c) ~~hit and take orders.~~
- (2) Special Terms Orders may be entered prior to the opening but shall not trade at the opening.
- (3) Orders eligible to trade at the opening are displayed at the COP and all trades at the opening are at the COP.
- (4) Any orders that remain unfilled after the opening will remain entered on the CNSX Trading System and have time priority based on the actual time of entry.

**4-110 Special Terms Orders**

- (1) Special Terms Orders are queued in a special terms book, separate from the regular book orders.
- (2) Multiple Special Term Orders at a single limit price are queued by time priority amongst themselves.
- (3) Special fill term orders are eligible for matching with orders from the regular book.
- (4) Special delivery term orders are not eligible for matching with orders from the regular book. Special delivery term orders must trade with orders from the special terms book.

**4-111 Trading After the Opening**

- (1) ~~A tradeable order for a CNSX-listed security shall be allocated among offsetting orders on the bid or offer (as the case may be) individually by time priority. as follows:~~
  - (a) ~~to offsetting orders on the bid or offer (as the case may be) of the CNSX Dealer that entered the tradeable order, by time priority, and then~~
  - (b) ~~to all other offsetting orders, by time priority.~~
- (2) ~~The undisclosed portion of a partially-disclosed order does not have time priority until it is disclosed, at which time it ranks behind all other orders in the CNSX System at that price. Each disclosed portion of such an order is assigned priority at the time of disclosure, as if the disclosed portion were an incoming order.~~

**MARKET MAKERS**

**4-112 Appointment of Market Makers**

- (1) A CNSX Dealer wishing to ~~make~~act as a market~~Market~~Market Maker in a CNSX-listed security shall file notice thereof with CNSX on the prescribed form and shall become obligated to perform the functions of a Market Maker upon approval by CNSX Markets.

- (2) Subject to Rule 4-101, a CNSX Dealer approved as a Market Maker shall appoint a Primary Trader to perform the obligations set out in these Rules and an Alternate Trader to act in the absence of the Primary Trader.
- (3) A CNSX Dealer approved as a Market Maker must maintain a two-sided continuous quotation for a period of not less than three consecutive calendar months and must give CNSX at least 30 days advance notice of its intention to relinquish any Market Maker Obligations.
- (4) A CNSX Dealer which ceases to act as a Market Maker in respect of a CNSX-listed security may not become a Market Maker in that security for a period of 30 days.
- (5) CNSX Markets may in its sole discretion designate a CNSX Dealer as a Market Maker in respect of a CNSX-listed security where the CNSX Dealer's trading activities suggest the market will be better served by the CNSX Dealer assuming the responsibilities of a Market Maker.

#### 4-113 Quotations

- (1) *Two-Sided Quotations.* A Designated Market Maker shall
  - (a) buy and sell such security for its own account on a continuous basis, and
  - (b) enter and maintain two sided quotations in the CNSX Trading System.
- (2) *Minimum Size.* A Designated Market Maker's displayed quotation size shall be for at least one Board Lot on each side of the market and may be for larger multiples thereof.
- (3) *Firm Quotations.* A Designated Market Maker that receives a tradeable client order to buy or sell from another CNSX Dealer shall execute the order to at least to the size displayed on the bid or offer (as the case may be).
- (4) *Quotations Reasonably Related to the Market.* A Market Maker shall enter and maintain quotations that are reasonably related to the prevailing market.
- (5) *Reasonably Competitive Quotations.* A Market Maker must enter reasonably competitive quotations for a security into the CNSX Trading System, in the context of the market and over time, that generally do not exceed the average of all Market Maker spreads in that security over time.
- ~~(6) *Autoquote Restrictions.* A Market Maker may not use automatic quotation update techniques or systems that track changes to best ask price and best bid price quotations and automatically generate quotations.~~

#### 4-114 Limit Order Protection

- (1) A Designated Market Maker shall accept and provide best execution of a client order of a CNSX Dealer (other than another Designated Market Maker in the same security) if the CNSX Dealer declares to the Market Maker that the order is a client order.
- ~~(2) Subject to Rule 4-108, a Market Maker shall be entitled to a commercially reasonable commission or transaction fee for handling a client order, to be negotiated between the Market Maker and the CNSX Dealer.~~
- ~~(3) A Market Maker is under no obligation to accept or handle a non-client or principal order.~~

#### 4-115 Additional Requirements

- (1) A Market Maker shall immediately notify CNSX Markets and the Market Regulator of any unusual trading or order-entry patterns in a listed security that suggests that the security may be subject to manipulative trading practices or unusual volatility.
- (2) A Market Maker shall comply with such additional requirements as may be prescribed from time to time by CNSX Markets or the Market Regulator.
- (3) A Market Maker shall make such reports to ~~the~~ CNSX Markets or the Market Regulator as may be prescribed or requested from time to time by CNSX Markets or the Market Regulator.

**RULE 11**

**TRADING OF ALTERNATIVE MARKET SECURITIES**

**11-101 Application of Rules**

~~The following rules~~With the exception of Rule 9 – Reporting of Trades, the Rules apply to trading in the Alternative Market Securities and any reference to CNSX-listed securities, unless the context otherwise requires, shall be deemed to be a reference to Alternative Market securities and any reference to delisting, unless the context otherwise requires, shall be deemed to be a reference to disqualification from trading in the Alternative Market:

- (a) ~~Rule 1 in its entirety;~~
- (b) ~~Rule 2 in its entirety;~~
- (c) ~~Rule 3 in its entirety;~~
- (d) ~~Rule 4-101;~~
- (e) ~~Rule 5 in its entirety;~~
- (f) ~~Rule 6-102;~~
- (g) ~~Rule 7 in its entirety; and~~
- (h) ~~Rule 8-101, otherwise specified.~~

**11-102 Qualification for Alternative Market**

- (1) CNSX Markets may designate securities listed on a stock exchange recognized in a jurisdiction in Canada as eligible for trading in the Alternative Market provided such securities are not suspended or subject to a regulatory halt.
- (2) CNSX Markets may disqualify an Alternative Market security for trading at any time without prior notice.
- (3) Notwithstanding the foregoing, an Alternative Market security shall be disqualified for trading immediately if
  - (a) the security is delisted by a stock exchange and is not listed on any stock exchange recognized in a jurisdiction in Canada;
  - (b) the security is suspended by a stock exchange and the Alternative Market is the only venue on which the security would trade in Canada;
  - (bc) the security is subject to a regulatory halt; or
  - (ed) CNSX Markets, acting reasonably, determines that disqualification is necessary to protect the public interest or the maintenance of a fair and orderly market.

**RULE 12**

**ACCESS BY ELIGIBLE CLIENTS**

**12-101 Eligibility Requirements**

*There are no changes, other than the heading. The text of current Rule 11-103(1) through 11-103(4) would comprise Rule 12-101(1) through (4).*

**12-102 Conditions for Providing Direct Access to Eligible Clients**

- (51) A CNSX Dealer may transmit orders received electronically from an eligible client in an Alternative Market security directly to the CNSX System Trading System through the infrastructure of the CNSX Dealer or by

sponsoring such orders transmitted through a third-party system acceptable to the CNSX Dealer, provided that the CNSX Dealer has obtained prior written approval from CNSX

- (a) confirmed to CNSX Markets that the system of the CNSX Dealer or the applicable third party system meets the prescribed conditions;
  - (b) obtained prior written approval from CNSX Markets for the standard form of agreement containing the prescribed conditions to be entered into between the CNSX Dealer and an eligible client and the CNSX Dealer has entered into an agreement in such form with the eligible client; ~~and~~
  - (c) obtained prior written approval from CNSX Markets for any amendments to the standard form of agreement; and
  - (d) \_\_\_\_\_ has met such other conditions as prescribed.
- (62) For the purposes of Rule 11-103(~~5~~12-102(1))(a), the system of the CNSX Dealer or third-party system, as applicable, is required to:
- (a) support compliance with CNSX Requirements dealing with the entry and trading of orders by all eligible clients who will have direct access (for example, supporting all valid order information that may be required, including designation of short sales);
  - (b) ensure security of access to the system (for example, through a password that will only enable persons at the eligible client authorized by the CNSX Dealer to have access to the system);
  - (c) comply with the specific requirements prescribed pursuant to Rule ~~412-101A(5)~~;
  - (d) provide the CNSX Dealer with an immediate report of the entry or execution of orders;
  - (e) enable the CNSX Dealer to employ order parameters or filters that will route orders over a certain size or value to the CNSX Dealer's trading desk (which parameters can be customized for each eligible client on the system) and to reject orders that do not fall within those designated parameters;
  - (f) enable the CNSX Dealer to transmit information concerning orders entered by eligible clients to the CNSX Dealer's compliance staff on a real time basis; and
  - (g) support any other requirements of this Rule or UMIR.
- (73) For the purposes of Rule 11-103(~~5~~12-102(1))(b), the agreement between the CNSX Dealer and the eligible client shall provide that:
- (a) the eligible client is authorized to connect to the CNSX Dealer's order routing system or to use the CNSX Dealer's sponsored access to the CNSX Trading System;
  - (b) the eligible client shall enter orders in compliance with CNSX Requirements respecting the entry and trading of orders and other applicable regulatory requirements;
  - (c) specific parameters defining the orders that may be entered by the eligible client are stated, including restriction to specific securities or size of orders;
  - (d) the CNSX Dealer has the right to reject an order for any reason;
  - (e) the CNSX Dealer has the right to change or remove an order in the CNSX Trading System and has the right to cancel any trade made by the eligible client for any reason;
  - (f) the CNSX Dealer has the right to discontinue accepting or sponsoring orders from the eligible client at any time without notice;
  - (g) the CNSX Dealer agrees to train the eligible client in the CNSX Requirements dealing with the entry and trading of orders and other applicable CNSX Requirements; and

- (h) the CNSX Dealer accepts the responsibility to ensure that revisions and updates to CNSX Requirements relating to the entry and trading of orders are promptly communicated to the eligible client;

provided that, in respect of an agreement with a client in respect of an order execution account, the agreement:

- (i) may be in written form or be in the form of a written or electronic notice acknowledged by the client prior to the entry of the initial order in respect of such order execution account; and
- (j) may omit provisions that would otherwise be required by clauses (c), (g) and (h) above if the system:
  - (i) enforces CNSX Requirements relating to the entry of orders, or
  - (ii) routes orders that do not comply with CNSX Requirements relating to the entry of orders to a person authorized to enter orders pursuant to Rule ~~4412-403~~102 for review prior to entry to the trading system.

- (~~84~~) Training materials regarding CNSX Requirements that the CNSX Dealer proposes to use must be reviewed by CNSX Markets prior to use.
- (~~95~~) The CNSX Dealer shall designate a specific person as being responsible for the system.
- (~~406~~) Orders executed through the system shall be reviewed for compliance and credit purposes daily by such designated person of the CNSX Dealer.
- (~~447~~) The CNSX Dealer shall have procedures in place to ensure that only eligible clients use the system and that such eligible clients can comply with CNSX Requirements and other applicable regulatory requirements.
- (~~428~~) The CNSX Dealer shall review the eligibility of eligible clients using the system at least annually.
- (~~439~~) The CNSX Dealer shall make available for review by CNSX Markets, as required from time to time, copies of the agreements between the CNSX Dealer and its eligible clients.
- (~~10~~) The CNSX Dealer shall identify whether accounts are for eligible clients, upon request.

**11-104-12-103 Responsibility of CNSX Dealers for Eligible Client Access**

A CNSX Dealer that enters into an agreement with a client to transmit orders in ~~Alternative Market securities received from the client in accordance with Rule ~~44103~~Rules 12-101 and 12-102~~ shall

- (a) be responsible for compliance with CNSX Requirements with respect to the entry and execution of orders transmitted by such clients ~~through the CNSX Dealer; and~~
- (b) provide CNSX Markets with prior written notification of the individual appointed to be responsible for such compliance and of the accounts through which the orders will be transacted.

**11-105 Minimum Price Variation**

The minimum trading increment for ~~Alternative Market securities~~ shall be as follows:

<b>3 Price per security</b>	<b>Increment</b>
less than \$0.50	\$0.005
\$0.50 and higher	\$0.01

**11-106 Advantage Goes with Securities Sold**

- (1) ~~In all trades of Alternative Market securities, all entitlements to receive dividends or any other distribution made or right given to holders of that security shall pass with the security and shall belong to the purchaser, unless otherwise provided by CNSX, the Market Regulator or the parties to the trade by mutual agreement.~~

- (2) — Claims for dividends, rights or any other benefits to be distributed to holders of record of Alternative Market securities on a certain date shall be made in accordance with the procedures established by the Clearing Corporation.
- (3) — If subscription rights attaching to securities are not claimed by the persons entitled to those rights at least twenty-four hours before the expiration of the time within which trading in respect of such rights may take place on the CNSX System, a CNSX Dealer holding such rights may, in its direction, sell or exercise all or any part of such rights, and shall account for such sale or exercise to the person or persons entitled to such rights, but in no case shall a CNSX Dealer be liable for any loss arising through failure to sell or exercise any unclaimed rights.

**11-107 Foreign Currency Trading**

- (1) — A report of a cross trade in an Alternative Market security agreed to in a foreign currency that is reported in Canadian dollars shall be converted to Canadian dollars using the mid-market spot rate or 7-day forward exchange rate in effect at the time of the trade, plus or minus 15 basis points, rounded down to the nearest whole cent, and vice versa.
- (2) — The CNSX Dealer making the cross shall keep a record of the exchange rate used.

**11-108 Entry of Orders for Alternative Market Securities**

- (1) — Any CNSX Dealer may enter
  - (a) — orders and
  - (b) — crosses at the price of the bid or offer and at any price between the bid and offerinto the CNSX System for an Alternative Market security.
- (2) — Orders (other than special terms orders and crosses) may be entered on a fully disclosed or partially disclosed basis.
- (3) — Orders entered on a partially disclosed basis must disclose at least one board lot or such greater amount as may be prescribed.

**11-109 Trading at the Opening**

- (1) — Subject to Rule 11-108, the following orders may be entered prior to the opening:
  - (a) — limit orders;
  - (b) — unpriced orders; and
  - (c) — hit and take orders.
- (2) — Special Terms Orders may be entered prior to the opening but shall not trade at the opening.
- (3) — Orders eligible to trade at the opening are displayed at the COP and all trades at the opening are at the COP.
- (4) — Any orders that remain unfilled after the opening remain entered on the CNSX System and have time priority based on the actual time of entry.

**11-110 Special Terms Orders**

- (1) — Special terms orders are queued in a special terms book, separate from the regular book orders.
- (2) — Multiple special terms orders at a single limit price are queued by time priority amongst themselves.
- (3) — Special fill term orders are eligible for matching with orders from the regular market.
- (4) — Special delivery term orders are not eligible for matching with the regular book. Special delivery term orders must trade with orders from the special terms book.

**11-111 Trading After the Opening**

- (1) — A tradeable order for an Alternative Market security shall be allocated among offsetting orders as follows:
  - (i) — to offsetting orders on the bid or offer (as the case may be) of the CNSX Dealer that entered the tradeable order individually by time priority, then
  - (ii) — to all other offsetting orders individually by time priority.
- (2) — The undisclosed portion of a partially disclosed order does not have time priority until it is disclosed, at which time it ranks behind all other orders in the CNSX System at that price.



Appendix B – Text of the Rules

RULE 1

INTERPRETATION AND GENERAL PROVISIONS

1-101 Definitions

(2) In these Rules, unless the subject matter or context otherwise requires:

“**Alternative Market**” means the Pure Trading facility for trading Alternative Market securities operated by CNSX Markets;

“**CNSX**” and “**CNSX listed market**” both mean the Canadian National Stock Exchange operated by CNSX Markets Inc.

“**CNSX Board**” means the Board of Directors of CNSX Markets and includes any committee of the CNSX Markets Board of Directors to which powers have been delegated in accordance with the by-laws or the Rules.

“**CNSX Issuer**” and “**Issuer**” both mean an issuer which has its securities qualified for listing on the CNSX Trading System or which has applied to have its securities approved for listing on the CNSX Trading System, as applicable.

“**CNSX-listed security**” or “**listed security**” means a security that has been listed and approved for trading on CNSX and, for greater certainty includes a CNSX-listed security that is also listed on another Canadian stock exchange;

“**CNSX Markets**” and “**Exchange**” both mean CNSX Markets Inc.

“**CNSX Trading System**” means the electronic system operated by CNSX for receiving orders and trading securities.

“**CNSX Trading and Access Systems**” includes all facilities and services provided by CNSX Markets to facilitate trading, including, but not limited to: the CNSX Trading System; order entry services; any other computer-based trading systems and programs, communications facilities between a system operated or maintained by CNSX Markets and a trading or order routing system operated or maintained by a CNSX Dealer, another market or other person approved by CNSX Markets; a communications network linking quotation dissemination, trade reporting and order execution systems; and the content entered, displayed and processed by the foregoing, including order and other market information provided by or through CNSX Markets.

“**immediate or cancel**” and “**IOC**” both mean an order that must execute immediately and may receive a full or partial fill, after which any unfilled balance will expire.

“**Policy**” means any policy statement, direction or decision adopted by the CNSX Board in connection with the administration or application of the Rules as such policy statement is amended, supplemented and in effect from time to time.

“**recognized self-regulatory organization**” means a self-regulatory organization recognized by the applicable securities regulatory authority.

“**Regulation**” means Ontario Regulation 1015 – General Regulation made under the Securities Act, as amended from time to time.

**RULE 3**

**GOVERNANCE OF TRADING**

**3-101 Trading Sessions**

- (1) The CNSX Trading System shall be open for order entry and trading on each Business Day.
- (2) Unless otherwise changed by resolution of the Board, the CNSX Trading System shall be open for continuous trading from 8:00 a.m. to 6:00 p.m.

**3-102 Trading Suspensions and Halts**

- (1) The CNSX Board may at any time:
  - (a) suspend order entry and trading on the CNSX Trading System;
  - (b) close the CNSX Trading System; or
  - (c) reduce, extend or otherwise alter the time of operation of the CNSX Trading System.
- (2) The CNSX Board, the Chairman, the CEO, the President or a member of senior management designated by the President to act in his or her absence may, in the event of an emergency or a technical problem with the CNSX Trading and Access Systems that is substantially impairing trading or will likely substantially impair trading if not resolved,
  - (a) suspend all order entry and trading or order entry and trading in particular securities in the CNSX Trading System for that Trading Day; or
  - (b) reduce, extend or otherwise alter the time of operation of the CNSX Trading System for that Trading Day.
- (3) The Market Regulator may halt order entry and trading on the CNSX Trading System in any security at any time and for such period of time as the Market Regulator may consider appropriate in the interest of a fair and orderly market.
- (4) Notwithstanding any other provision, the Market Regulator may delay the opening of trading in any security in the CNSX Trading System until after the customary time of opening for any period in order to assist in the orderly opening of such trading.

**RULE 4**

**TRADING OF SECURITIES**

**ORDER ENTRY AND TRADING**

**4-101 Access to CNSX Trading System**

- (1) A CNSX Dealer shall not permit any person to trade on the CNSX Trading System unless such person
  - (a) is an Approved Trader in good standing on the Toronto Stock Exchange or the TSX Venture Exchange;
  - (b) has successfully completed the Trader Training Course of the Canadian Securities Institute; or
  - (c) has completed such other courses to ensure proficiency in the CNSX Rules as CNSX Markets may determine from time to time.
- (2) A CNSX Dealer shall ensure that each person entering orders on the CNSX Trading System has all necessary registrations under applicable securities legislation and is trained in and understands these Rules.

- (3) A CNSX Dealer's trade supervision procedures adopted pursuant to Part 7.1 of UMIR shall include provisions to monitor trading on the CNSX Trading System in compliance with these Rules.

**4-102 General Rules Applicable to Order Entry**

- (1) Each order entered on the CNSX Trading System shall be subject to any special rule or direction issued by CNSX Markets or the Market Regulator with respect to:
  - (a) clearing and settlement; and
  - (b) entitlement of the purchaser to receive a dividend, interest or any other distribution made or right given to holders of that security.
- (2) Each order entered on the CNSX Trading System shall contain in addition to the UMIR required identifiers and designations a designation acceptable to the Market Regulator, if the order is:
  - (a) a Market Maker short sale exempt order; or
  - (b) of a type for which CNSX Markets or the Market Regulator may from time to time require a specific or particular designation.
- (3) A CNSX Dealer entering a client order on CNSX Trading System which is a distribution of a security of a CNSX Issuer being made in reliance on Multilateral Instrument 45-102 shall not enter the client order until the Form 45-102F3 Notice of Intention to Distribute Securities and Accompanying Declaration has been filed with the Commission and posted concurrently by the CNSX Issuer on behalf of the seller on the CNSX.ca website within the time frame prescribed in Multilateral Instrument 45-102.

**4-103 Minimum Price Variation**

The minimum trading increment in the CNSX Trading System shall be determined by the CNSX Board, subject to UMIR.

**4-104 Advantage Goes with Securities Sold**

- (1) In all trades of CNSX-listed securities, all entitlements to receive dividends or any other distribution made or right given to holders of that security shall pass with the security and shall belong to the purchaser, unless otherwise provided by CNSX, the Market Regulator or the parties to the trade by mutual agreement.
- (2) Claims for dividends, rights or any other benefits to be distributed to holders of record of CNSX-listed securities on a certain date shall be made in accordance with the procedures established by the Clearing Corporation.
- (3) If subscription rights attaching to securities are not claimed by the persons entitled to those rights at least twenty-four hours before the expiration of the time within which trading in respect of such rights may take place on the CNSX Trading System, a CNSX Dealer holding such rights may, in its direction, sell or exercise all or any part of such rights, and shall account for such sale or exercise to the person or persons entitled to such rights, but in no case shall a CNSX Dealer be liable for any loss arising through failure to sell or exercise any unclaimed rights.

**4-105 Foreign Currency Trading**

- (1) A report of a cross trade in a CNSX-listed security agreed to in a foreign currency that is reported in Canadian dollars shall be converted to Canadian dollars using the mid-market spot rate or 7-day forward exchange rate in effect at the time of the trade, plus or minus 15 basis points, rounded down to the nearest whole cent, and vice versa.
- (2) The CNSX Dealer making the cross shall keep a record of the exchange rate used.

**4-106 Entry of Orders**

- (1) A CNSX Dealer may enter
  - (a) orders; and

- (b) crosses at or between the bid and offer into the CNSX Trading System.
- (2) Orders (other than Special Terms Orders and crosses) may be entered on a fully-disclosed or partially disclosed basis.
- (3) Orders entered on a partially-disclosed basis must disclose at least one board lot or such greater amount as may be prescribed.

**4-107 [Repealed]**

**4-108 [Repealed]**

**4-109 Trading at the Opening**

- (1) The following orders may be entered prior to the opening:
  - (a) limit orders; and
  - (b) unpriced orders.
- (2) Special Terms Orders may be entered prior to the opening but shall not trade at the opening.
- (3) Orders eligible to trade at the opening are displayed at the COP and all trades at the opening are at the COP.
- (4) Any orders that remain unfilled after the opening will remain entered on the CNSX Trading System and have time priority based on the actual time of entry.

**4-110 Special Terms Orders**

- (1) Special Terms Orders are queued in a special terms book, separate from the regular book orders.
- (2) Multiple Special Term Orders at a single limit price are queued by time priority amongst themselves.
- (3) Special fill term orders are eligible for matching with orders from the regular book.
- (4) Special delivery term orders are not eligible for matching with orders from the regular book. Special delivery term orders must trade with orders from the special terms book.

**4-111 Trading After the Opening**

- (1) A tradeable order shall be allocated among offsetting orders as follows:
  - (a) to offsetting orders on the bid or offer (as the case may be) of the CNSX Dealer that entered the tradeable order, by time priority, and then
  - (b) to all other offsetting orders, by time priority.
- (2) The undisclosed portion of a partially-disclosed order does not have time priority. Each disclosed portion of such an order is assigned priority at the time of disclosure, as if the disclosed portion were an incoming order.

**MARKET MAKERS**

**4-112 Appointment of Market Makers**

- (1) A CNSX Dealer wishing to act as a Market Maker in a CNSX-listed security shall file notice thereof with CNSX on the prescribed form and shall become obligated to perform the functions of a Market Maker upon approval by CNSX Markets.
- (2) Subject to Rule 4-101, a CNSX Dealer approved as a Market Maker shall appoint a Primary Trader to perform the obligations set out in these Rules and an Alternate Trader to act in the absence of the Primary Trader.

- (3) A CNSX Dealer approved as a Market Maker must maintain a two-sided continuous quotation for a period of not less than three consecutive calendar months and must give CNSX at least 30 days advance notice of its intention to relinquish any Market Maker Obligations.
- (4) A CNSX Dealer which ceases to act as a Market Maker in respect of a CNSX-listed security may not become a Market Maker in that security for a period of 30 days.
- (5) CNSX Markets may in its sole discretion designate a CNSX Dealer as a Market Maker in respect of a CNSX-listed security where the CNSX Dealer's trading activities suggest the market will be better served by the CNSX Dealer assuming the responsibilities of a Market Maker.

**4-113 Quotations**

- (1) *Two-Sided Quotations.* A Designated Market Maker shall
  - (a) buy and sell such security for its own account on a continuous basis, and
  - (b) enter and maintain two sided quotations in the CNSX Trading System.
- (2) *Minimum Size.* A Designated Market Maker's displayed quotation size shall be for at least one Board Lot on each side of the market and may be for larger multiples thereof.
- (3) *Firm Quotations.* A Designated Market Maker that receives a tradeable client order to buy or sell from another CNSX Dealer shall execute the order to at least to the size displayed on the bid or offer (as the case may be).
- (4) *Quotations Reasonably Related to the Market.* A Market Maker shall enter and maintain quotations that are reasonably related to the prevailing market.
- (5) *Reasonably Competitive Quotations.* A Market Maker must enter reasonably competitive quotations for a security into the CNSX Trading System, in the context of the market and over time, that generally do not exceed the average of all Market Maker spreads in that security over time.

**4-114 Limit Order Protection**

- (1) A Designated Market Maker shall accept and provide best execution of a client order of a CNSX Dealer (other than another Designated Market Maker in the same security) if the CNSX Dealer declares to the Market Maker that the order is a client order.
- (2) A Market Maker is under no obligation to accept or handle a non-client or principal order.

**4-115 Additional Requirements**

- (1) A Market Maker shall immediately notify CNSX Markets and the Market Regulator of any unusual trading or order-entry patterns in a listed security that suggests that the security may be subject to manipulative trading practices or unusual volatility.
- (2) A Market Maker shall comply with such additional requirements as may be prescribed from time to time by CNSX Markets or the Market Regulator.
- (3) A Market Maker shall make such reports to CNSX Markets or the Market Regulator as may be prescribed or requested from time to time by CNSX Markets or the Market Regulator.

**RULE 11**

**TRADING OF ALTERNATIVE MARKET SECURITIES**

**11-101 Application of Rules**

With the exception of Rule 9 – Reporting of Trades, the Rules apply to trading in Alternative Market Securities and CNSX-listed securities unless otherwise specified.

### 11-102 Qualification for Alternative Market

- (1) CNSX Markets may designate securities listed on a stock exchange recognized in a jurisdiction in Canada as eligible for trading in the Alternative Market provided such securities are not suspended or subject to a regulatory halt.
- (2) CNSX Markets may disqualify an Alternative Market security for trading at any time without prior notice.
- (3) Notwithstanding the foregoing, an Alternative Market security shall be disqualified for trading immediately if
  - (a) the security is delisted by a stock exchange and is not listed on any stock exchange recognized in a jurisdiction in Canada;
  - (b) the security is suspended by a stock exchange and the Alternative Market is the only venue on which the security would trade in Canada;
  - (c) the security is subject to a regulatory halt; or
  - (d) CNSX Markets, acting reasonably, determines that disqualification is necessary to protect the public interest or the maintenance of a fair and orderly market.

## RULE 12

### ACCESS BY ELIGIBLE CLIENTS

#### 12-101 Eligibility Requirements

*There are no changes, other than the heading. The text of current Rule 11-103(1) through 11-103(4) would comprise Rule 12-101(1) through (4).*

#### 12-102 Conditions for Providing Direct Access to Eligible Clients

- (1) A CNSX Dealer may transmit orders from an eligible client directly to the CNSX Trading System through the infrastructure of the CNSX Dealer or by sponsoring such orders transmitted through a third-party system acceptable to the CNSX Dealer, provided that the CNSX Dealer has
  - (a) confirmed to CNSX Markets that the system of the CNSX Dealer or the applicable third party system meets the prescribed conditions;
  - (b) obtained prior written approval from CNSX Markets for the standard form of agreement containing the prescribed conditions to be entered into between the CNSX Dealer and an eligible client and the CNSX Dealer has entered into an agreement in such form with the eligible client;
  - (c) obtained prior written approval from CNSX Markets for any amendments to the standard form of agreement; and
  - (d) has met such other conditions as prescribed.
- (2) For the purposes of Rule 12-102(1)(a), the system of the CNSX Dealer or third-party system, as applicable, is required to:
  - (a) support compliance with CNSX Requirements dealing with the entry and trading of orders by all eligible clients who will have direct access (for example, supporting all valid order information that may be required, including designation of short sales);
  - (b) ensure security of access to the system (for example, through a password that will only enable persons at the eligible client authorized by the CNSX Dealer to have access to the system);
  - (c) comply with the specific requirements prescribed pursuant to Rule 12-101;
  - (d) provide the CNSX Dealer with an immediate report of the entry or execution of orders;

- (e) enable the CNSX Dealer to employ order parameters or filters that will route orders over a certain size or value to the CNSX Dealer's trading desk (which parameters can be customized for each eligible client on the system) and to reject orders that do not fall within those designated parameters;
  - (f) enable the CNSX Dealer to transmit information concerning orders entered by eligible clients to the CNSX Dealer's compliance staff on a real time basis; and
  - (g) support any other requirements of this Rule or UMIR.
- (3) For the purposes of Rule 12-102(1)(b), the agreement between the CNSX Dealer and the eligible client shall provide that:
- (a) the eligible client is authorized to connect to the CNSX Dealer's order routing system or to use the CNSX Dealer's sponsored access to the CNSX Trading System;
  - (b) the eligible client shall enter orders in compliance with CNSX Requirements respecting the entry and trading of orders and other applicable regulatory requirements;
  - (c) specific parameters defining the orders that may be entered by the eligible client are stated, including restriction to specific securities or size of orders;
  - (d) the CNSX Dealer has the right to reject an order for any reason;
  - (e) the CNSX Dealer has the right to change or remove an order in the CNSX Trading System and has the right to cancel any trade made by the eligible client for any reason;
  - (f) the CNSX Dealer has the right to discontinue accepting or sponsoring orders from the eligible client at any time without notice;
  - (g) the CNSX Dealer agrees to train the eligible client in the CNSX Requirements dealing with the entry and trading of orders and other applicable CNSX Requirements; and
  - (h) the CNSX Dealer accepts the responsibility to ensure that revisions and updates to CNSX Requirements relating to the entry and trading of orders are promptly communicated to the eligible client;

provided that, in respect of an agreement with a client in respect of an order execution account, the agreement:

- (i) may be in written form or be in the form of a written or electronic notice acknowledged by the client prior to the entry of the initial order in respect of such order execution account; and
  - (j) may omit provisions that would otherwise be required by clauses (c), (g) and (h) above if the system:
    - (i) enforces CNSX Requirements relating to the entry of orders, or
    - (ii) routes orders that do not comply with CNSX Requirements relating to the entry of orders to an person authorized to enter orders pursuant to Rule 12-102 for review prior to entry to the trading system.
- (4) Training materials regarding CNSX Requirements that the CNSX Dealer proposes to use must be reviewed by CNSX Markets prior to use.
- (5) The CNSX Dealer shall designate a specific person as being responsible for the system.
- (6) Orders executed through the system shall be reviewed for compliance and credit purposes daily by such designated person of the CNSX Dealer.
- (7) The CNSX Dealer shall have procedures in place to ensure that only eligible clients use the system and that such eligible clients can comply with CNSX Requirements and other applicable regulatory requirements.
- (8) The CNSX Dealer shall review the eligibility of eligible clients using the system at least annually.

- (9) The CNSX Dealer shall make available for review by CNSX Markets, as required from time to time, copies of the agreements between the CNSX Dealer and its eligible clients.
- (10) The CNSX Dealer shall identify whether accounts are for eligible clients, upon request.

**12-103 Responsibility of CNSX Dealers for Eligible Client Access**

A CNSX Dealer that enters into an agreement with a client to transmit orders from the client in accordance with Rules 12-101 and 12-102 shall

- (a) be responsible for compliance with CNSX Requirements with respect to the entry and execution of orders transmitted by such clients; and
- (b) provide CNSX Markets with prior written notification of the individual appointed to be responsible for such compliance and of the accounts through which the orders will be transacted.



## Chapter 25

# Other Information

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### 25.1 Exemptions

Yours very truly,

#### 25.1.1 Sprott Physical Gold Trust

"Vera Nunes"  
Assistant Manager, Investment Funds Branch

#### Headnote

NP 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Exemptive relief granted to closed end fund that invests in gold bullion – fund a foreign private issuer and not an investment company in the U.S. – offering primarily intended for U.S. investors – relief granted to permit fund's prospectus to not strictly comply with the form requirements of Form 41-101F2 regarding prescribed headings and order of headings and inclusion of certain financial disclosure – fund's prospectus will comply with substantive disclosure requirements of Form 41-101F2.

#### Applicable Legislative Provisions

National Instrument 41-101 General Prospectus Requirements, ss. 3.1(2), 19.1.

September 15, 2010

Heenan Blaikie  
Bay Adelaide Centre  
333 Bay Street, Suite 2900  
P.O. Box 2900  
Toronto, Ontario  
M5H 2T4

#### Attention: Ora Wexler

Dear Sirs/Mesdames:

**Re: Sprott Physical Gold Trust (the "Trust")  
Exemptive Relief Application under Part 19 of  
National Instrument 41-101 *General Prospec-  
tus Requirements* ("NI 41-101")  
Application No. 2010/0633, SEDAR Project No.  
1632745**

By letter dated September 3, 2010 (the "Application"), the Trust applied to the Director of the Ontario Securities Commission (the "Director") under section 19.1 of NI 41-101 for relief from section 3.1(2) of NI 41-101. The relief is requested to permit the Trust to file a base prep prospectus that does not fully comply with the form requirements of Form 41-101F2 (the "Requested Relief").

This letter confirms that, based on the information and representations made in the Application and for the purposes described in the Application, the Director intends to grant the Requested Relief to be evidenced by the issuance of a receipt for the Trust's prospectus.

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