



CANADIAN NATIONAL STOCK EXCHANGE

President's Message



Robert Cook
President

Good customer service isn't just about responding to requests and concerns. It's also about understanding and anticipating customer needs and delivering service well in the first place.

At CNSX we've also introduced added value services at no additional cost to our listed companies, to other companies considering going public, and to investors who follow our market. Most of the additional services we've introduced are visible on cnsx.ca and can be accessed from the home page itself. Here's a rundown...

- [DX \(DealExchange.ca\)](http://DealExchange.ca) is an on line facility that introduces companies to financiers. Initially on a no-names basis, DX helps those companies package their financing needs, then delivers a synopsis to potential agents and underwriters who have expressed an interest in the relevant sector and/or type and size of financing;
- [CNSX Radio](#) is a forum, free to any listed company, that provides a professional interview of the company CEO, posted on line and also available to the company to put up on its own website;
- GPIC (GoPublicInCanada.com) delivers important information to potential public companies, including case studies of successful listings on CNSX;
- [IR Insight](#) offers concise expert advice from investor relations professionals that cover a variety of issues relating to communicating with investors. It's published on GPIC and also in the CNSX monthly reviews;
- [Law and Accounting Matters](#) is another GPIC publication written by legal and accounting practitioners with plain English explanations of pertinent issues for public companies. The two most recent articles covered the issue of changing a company's auditors from a legal and an accounting perspective.
- Our on line service directory ([Service Directory!](#)) lists a variety of third party services available to CNSX listed companies. The roster ranges from investor intelligence to investment research and from newswires to firms that help you get in the news. Each of these service offerings are tailored to the CNSX market with most providing significant pricing discounts to increase the value to listed companies.

Recently we held a one hour webcast seminar on IFRS with a panel of three accounting experts. This has been professionally edited for rebroadcast and is available to anyone at the following link: <http://events.onlinebroadcasting.com/cnsx/062209/index.php?page=launch>

Watch CNSX.ca for more in the future! If you have any ideas for more value added services please let us know so we can continue to develop new ways to serve our customers.

P.S. Don't miss the Pure Trading write-up in this edition. It's a highly readable explication of the various trading practices known as "High Frequency Trading " written by Richard Carleton.

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CNSX Listings

New Listing - Pure Diamonds Exploration Inc. **SYMBOL: PUG**

Listing Date: July 24, 2009

Activity: The Company is engaged in the business of acquiring, exploring and developing mineral properties and has, since 1993, been engaged primarily in diamond exploration. The Company continues to evaluate new projects and exploration opportunities and will maintain its interests in its existing property portfolio, monitor the results of ongoing exploration and evaluate options for ongoing exploration financing through direct funding or strategic partnerships.

Outstanding Shares: 59.1 Million Common Shares

Transfer Agent: : Computershare Trust Company of Canada

New Listing - Mavrix Fund Management Debentures

SYMBOL:

MVX.DB

Listing Date: July 30, 2009

Activity: The 8 percent convertible unsecured subordinated debentures are a debt obligation of Mavrix Fund Management Inc. The Debentures, originally issued pursuant to an indenture dated May 1, 2005, are repayable by Mavrix upon maturity on June 30, 2010. The Debentures are convertible, at the option of the holder, into common shares of Mavrix at a price of \$3.50 per Share. Effective June 30, 2009, all of the issued and outstanding Shares of Mavrix have been acquired by a wholly-owned subsidiary of GrowthWorks Ltd. pursuant to a plan of arrangement. The terms of the Debentures were unaffected by the Arrangement, but as a result of the Arrangement, the Shares of Mavrix have been delisted. Mavrix remains a reporting issuer under the securities legislation of each of the provinces and territories in Canada.

Transfer Agent: : Computershare Trust Company of Canada

New Listing - Far City Mining Inc.

SYMBOL: FCH

Listing Date: July 31, 2009

Activity: The Company is a junior natural resource company engaged in the business of exploring and developing mineral properties. The Company's business objective is to conduct further exploration on its base metals property located in the Sichuan Province of China and compile the information received from such exploration activities to further define its mineralization potential.

Outstanding Shares: 127 Million Common Shares

Transfer Agent: : Olympia Trust Company

Name Change/Consolidation - Ona Energy Inc.

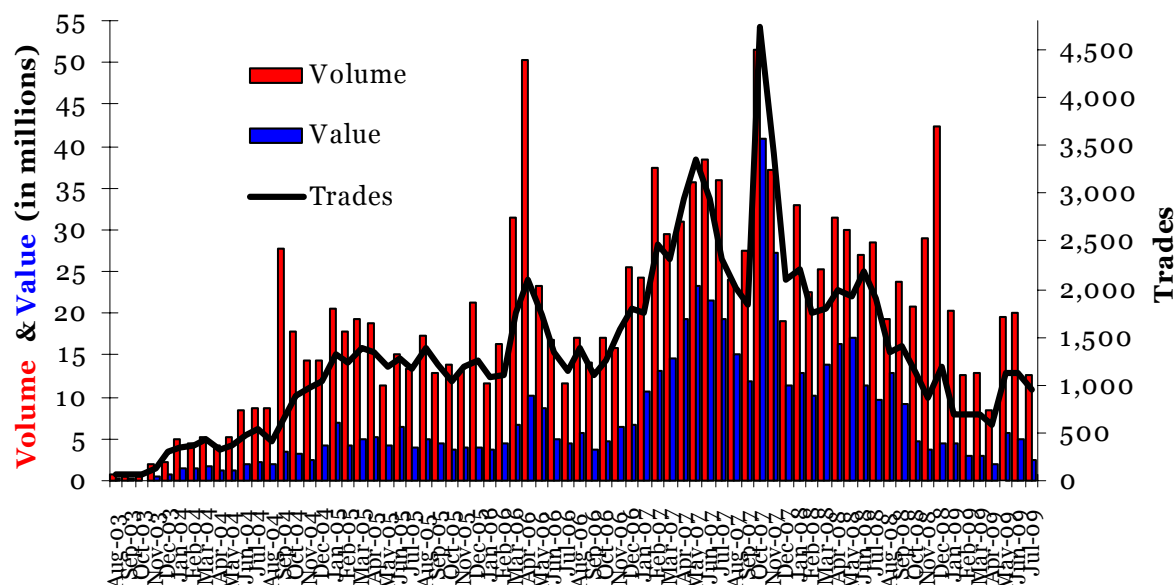
Ona Energy Inc. announced shareholder approval to consolidate the issued and outstanding common shares of Ona Energy on the basis of one (1) new post-consolidation common share for each five (5) pre-consolidation common shares. The shares begin trading on a consolidated basis under the new name Ona Power Corporation on Thursday, July 16, 2009. The consolidation will reduce the number of shares outstanding to approximately 8,459,272. For more details, please see bulletin 2009 - 0701

To become a CNSX listed company, contact:
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Total Market Activity July 2009

Total Volume Traded.....	12,718,018	Avg Volume per Trade.....	13,401
Value Traded.....	\$2,523,191	Avg Value per Trade.....	\$2,659
Total Trades.....	949	Avg Price per Share.....	\$0.20

CNSX Trading Activity Through July 2009



Visit:
www.cnsx.ca

Market Data

Data Vendors authorised to distribute real-time market data for CNSX appear below. For more information on Market Data please visit the CNSX service directory page at www.cnsx.ca. Delayed quotes and market activity summaries are also provided on www.cnsx.ca.

<u>CNSX Data Vendor</u>	<u>Contact Tel.</u>	<u>Website URL</u>
Alpha Trade	604-681-7503	www.alphatrade.com
Bloomberg	212-617-2000	www.bloomberg.com
Belzberg	416-360-1812	www.belzberg.com
Canjex Publishing (Stockwatch)	604-687-1500	www.stockwatch.com
IRESS Canada	416-907-9221	www.iress.ca
PC Quote Canada	416-214-5700	www.pcquote.ca
QuoteMedia, Inc.	877-311-9911 Ext 0	www.quotemedia.com
Reuters – U.S.	800-738-8377	www.reuters.com
Reuters – Canada	416-941-8000	www.reuters.com
Telekurs	203-353-8100	www.tkusa.com
Thomson Financial	416-956-1077	www.thomson.com

Trading Activity

Stock	Symbol	Volume	Value	Trds	High	Low	Close
ACFAW.com	ACW	185,000	13,895	33	0.13	0.03	0.13
Acorn Income Corp.	ACI	830	101	4	0.2	0.2	0.2
Aerocast Inc.	A	131,500	21,355	11	0.17	0.15	0.17
Airesurf Ntwrks Hldngs Inc.	ANH	42,000	840	3	0.02	0.02	0.02
Alliance Mining Corp.	ALM	80,000	4,000	1	0.05	0.05	0.05
American Insulock Inc.	INS.U	42,000	405	4	0.01	0.005	0.005
Arctic Hunter Uranium Inc.	AHU	10,000	1,050	1	0.105	0.105	0.105
Armada Mercantile Ltd.	ARM	24,500	1,455	3	0.1	0.005	0.1
Ateba Resources Inc.	ATR	10,898	1,053	5	0.1	0.1	0.1
Biosign Technologies Inc.	BIO	46,400	6,920	7	0.17	0.12	0.17
Bird River Mines Inc.	BDR	100,000	5,000	4	0.05	0.05	0.05
Bison Gold Resources Inc.	BGE	215,228	2,301	7	0.05	0.005	0.005
Canadian Intl. Minerals Inc.	CIN	86,000	6,435	5	0.08	0.06	0.08
Cancor Mines Inc.	KCR	800,000	10,065	5	0.02	0.01	0.02
CB Resources Ltd.	ICD	25,000	500	1	0.02	0.02	0.02
Chai Cha Na Mining Inc.	CNN	30,000	3,900	2	0.13	0.13	0.13
Chava Resources Ltd.	CHA	71,000	29,300	5	0.43	0.4	0.43
Colt Resources Inc.	GTP	1,300	103	3	0.1	0.1	0.1
Continent Resources Inc.	CTT	1,895,637	1,106,847	261	0.81	0.4	0.81
Copper Reef Mining Corp.	CZC	44,000	3,770	5	0.105	0.055	0.105
Cougar Minerals Corp.	COU	1,707,850	119,254	61	0.11	0.04	0.07
Covenant Resources Ltd	CVA	200,000	12,500	4	0.065	0.06	0.06
Cuervo Resources Inc.	FE	683,500	234,270	51	0.43	0.31	0.34
Dynamic Resources Corp.	DYR	501,250	18,805	22	0.05	0.025	0.025
Eurogas International Inc.	EI	78,104	4,090	11	0.06	0.045	0.055
Fire River Gold Corp.	FAU	26,500	9,525	4	0.4	0.35	0.4
First Choice Products Inc.	FCI	53,800	10,398	10	0.31	0.1	0.31
Gamecorp Ltd.	GGG	32,450	2,194	24	0.075	0.05	0.05
Glenbriar Technologies Inc.	GTI	16,193	641	2	0.04	0.04	0.04
Golden Cross Resources Inc.	GOX	5,000	300	1	0.06	0.06	0.06
Great Bear Uranium Corp.	GBR	2,792	37	4	0.02	0.02	0.02
HiHo Silver Resources Inc.	HHS	300,000	12,000	3	0.04	0.04	0.04
Hy Lake Gold Inc.	HYL	51,000	4,380	4	0.095	0.08	0.095
Kokomo Enterprise	KKO	600	55	2	0.11	0.11	0.11
La Imperial Resources Inc.	LAI	10,000	50	1	0.005	0.005	0.005
Mantis Minerals Corp.	MYN	921,760	47,390	18	0.06	0.03	0.045
MB Bldr Bnds IX - 5yr AF	BIA.DB.B	5,100	5,105	1	100.1	100.1	100.1
MB Bldr FL 1.0%	BKF.DB	145,600	145,600	2			
MB Hydr Bnds 10 - 3yr AF	HJA.DB.A	26,600	26,872	4	102	100.05	102
MB Hydr Bnds 9 - 5yr CF	HIC.DB	800	800	1	100	100	100
Micromem Technologies Inc.	MRM	27,585	24,872	14	1	0.5	0.9
Minerva Minerals Ltd.	MIL	10,000	500	1	0.05	0.05	0.05
Nexia Biotechnologies Ltd.	NBL	11,000	55	2	0.005	0.005	0.005
ONA Energy Inc.	OEE	50,000	7,500	2	0.15	0.15	0.15
Ona Power Corporation	OPO	9,000	3,350	4	0.55	0.15	0.55
OnePak, Inc.	OPK	18,183	9,004	4	0.5	0.4	0.4
Orca Power Corp.	OP	50,000	1,350	3	0.03	0.025	0.025
Otterburn Ventures Inc.	OTB	13,000	650	1	0.05	0.05	0.05

For information on each company listed on CNSX please visit the Listings Disclosure Hall, which can be found from our home page at www.cnsx.ca

Trading Activity Cont'd

Stock	Symbol	Volume	Value	Trds	High	Low	Close
Park Lawn Company Limited	PRL	200	500	1	2.5	2.5	2.5
Petrol One Corp.	POV	500	100	1	0.2	0.2	0.2
PetroWorth Resources Inc.	PTW	537,850	121,515	71	0.26	0.18	0.25
Plaintree Systems Inc.	NPT	39,338	7,115	30	0.3	0.01	0.2
Platoro West Holdings Inc.	PWH	1,062,584	42,751	19	0.05	0.03	0.05
Quinsam Capital Corporation	QCA	50,000	750	1	0.015	0.015	0.015
Range Gold Corp.	RGU	20,018	1,500	4	0.1	0.05	0.05
Range Metals Inc.	RGO	88,537	27,053	21	0.4	0.25	0.26
Redzone Resources Ltd.	REZ	30,000	14,300	7	0.6	0.45	0.45
Regal Resources Inc.	RGR	40,000	4,000	4	0.1	0.1	0.1
RT Minerals Corp.	RTM	80,000	7,200	1	0.09	0.09	0.09
RX Exploration	RXE	143,500	33,875	23	0.38	0.165	0.25
Scarlet Resources Ltd.	SCT	43,500	9,397	6	0.24	0.195	0.195
Stealth Energy Inc	SLH	212,000	18,045	8	0.09	0.08	0.08
Talmora Diamond Inc.	TAI	8,000	240	2	0.03	0.03	0.03
Trevali Resources Corp.	TV	109,181	78,520	34	0.9	0.6	0.65
Triple Dragon Resources Inc.	TDN	74,000	14,810	12	0.27	0.16	0.2
Valterra Resource Corp.	VTA	928,650	84,625	27	0.11	0.08	0.1
Veraz Petroleum Ltd.	VRZ	196,200	123,130	40	0.7	0.55	0.62
West Isle Energy Inc.	WEI	255,000	12,870	6	0.1	0.05	0.05

Most Active by Volume

Stock	Symbol	Volume	Value	Trds	High	Low	Close
Continent Resources Inc.	CTT	1,895,637	1,106,847	261	0.81	0.4	0.81
Cougar Minerals Corp.	COU	1,707,850	119,254	61	0.11	0.04	0.07
Platoro West Holdings Inc.	PWH	1,062,584	42,751	19	0.05	0.03	0.05
Valterra Resource Corp.	VTA	928,650	84,625	27	0.11	0.08	0.1
Mantis Minerals Corp.	MYN	921,760	47,390	18	0.06	0.03	0.045
Cancor Mines Inc.	KCR	800,000	10,065	5	0.02	0.01	0.02
Cuervo Resources Inc.	FE	683,500	234,270	51	0.43	0.31	0.34
PetroWorth Resources Inc.	PTW	537,850	121,515	71	0.26	0.18	0.25
Dynamic Resources Corp.	DYR	501,250	18,805	22	0.05	0.025	0.025
HiHo Silver Resources Inc.	HHS	300,000	12,000	3	0.04	0.04	0.04

Most Active by Value

Stock	Symbol	Volume	Value	Trds	High	Low	Close
Continent Resources Inc.	CTT	1,895,637	1,106,847	261	0.81	0.4	0.81
Cuervo Resources Inc.	FE	683,500	234,270	51	0.43	0.31	0.34
MB Builder 5yr Fltg	BKF.DB	145,600	145,600	2			
Veraz Petroleum Ltd.	VRZ	196,200	123,130	40	0.7	0.55	0.62
PetroWorth Resources Inc.	PTW	537,850	121,515	71	0.26	0.18	0.25
Cougar Minerals Corp.	COU	1,707,850	119,254	61	0.11	0.04	0.07
Valterra Resource Corp.	VTA	928,650	84,625	27	0.11	0.08	0.1
Trevali Resources Corp.	TV	109,181	78,520	34	0.9	0.6	0.65
Mantis Minerals Corp.	MYN	921,760	47,390	18	0.06	0.03	0.045
Platoro West Holdings Inc.	PWH	1,062,584	42,751	19	0.05	0.03	0.05

Financings Completed

Company	Symbol	Amount Raised	Date
RX Exploration Inc.	RXE	\$1,679,700	Jul. 2/09
Kokomo Enterprises Inc.	KKO	\$300,000	Jul. 3/09
Cuervo Resources Inc.	FE	\$1,135,400	Jul. 6/09
Redzone Resources Ltd.	REZ	\$2,000,100	Jul. 14/09
RX Exploration Inc.	RXE	\$783,000	Jul. 14/09
Colt Resources Inc.	GTP	\$367,300	Jul. 15/09
Valterra Resource Corporation	VTA	\$117,500	Jul. 20/09
Fire River Gold Corp.	FAU	\$462,000	Jun. 1/09
Scarlet Resources Ltd.	SCT	\$400,500	Jun. 1/09
Continent Resources Inc.	CTT	428,450\$	Jun. 2/09
Talmora Diamond Inc.	TAI	\$305,929	Jun. 3/09
Canadian International Minerals Inc.	CIN	\$350,000	Jun. 10/09
Valterra Resource Corporation	VTA	\$379,000	Jun. 12/09
Continent Resources Inc.	CTT	\$341,550	Jun. 15/09
Kokomo Enterprises Inc.	KKO	\$225,000	Jun. 29/09
RT Minerals Corp.	RTM	\$250,000	Jun. 29/09
Regal Resources Inc. (IPO)	RGR	\$300,000	May 8/09
Trevali Resources Corp.	TV	\$1,743,400	May 11/09
Micromem Technologies Inc.	MRM	USD \$375,000	May 15/09
Micromem Technologies Inc.	MRM	USD \$388,980	May 15/09
Arctic Hunter Uranium Inc.	AHU	\$350,000	May 20/09
Valterra Resource Corporation	VTA	\$1,450,000	May 21/09
Alliance Mining Corp.	ALM	\$70,000	May 27/09

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Pure Trading

July continued the pattern of the last several months in the Canadian equity markets: market share amongst the competing marketplaces has seen a continuation of the slow deterioration of the market dominance of the incumbent. As we have been discussing in this space, the catalyst for major change to these levels, and one that we expect to be strongly positive for Pure Trading, will be the arrival of a number of additional high frequency trading firms in Canada in the near future. While we are on the subject of high frequency trading, it is fair to say that this latest buzz phrase for a host of computer assisted trading methodologies has received a lot of negative comment in the press over the last few weeks. To assist in the discussion, we offer these thoughts:

- As a class, high frequency trading strategies generate a high message to trade ratio. This increased message traffic, and the latency sensitivity of the organizations practicing high frequency strategies, has required the infrastructure providers to the equity trading community in Canada to make significant investment in bandwidth, computer processing power and application performance in order to interact with this new, high frequency order flow. Traditional market making, arbitrage and algorithmic trading programmes have had to be re-engineered to take account of changing patterns in the Canadian market structure as a result of the arrival of these new high frequency players. Finally, as customer flow has transformed from non-executable limit orders (for which the dealer was either rewarded with a “credit” or, at worst, not charged a trading fee when the order traded out), to executable limit orders (for which the dealer is charged a liquidity access fee), dealers have discovered that their client execution costs have increased by a large factor. Dealers, especially in the competitive discount brokerage space, have not yet been able to adjust their business models to account for the changes in market structure.
- Without providing an exhaustive list, the term “high frequency trading” has been applied to describe a multitude of different activities: inter-listed stock arbitrage, cash/derivatives arbitrage, index arbitrage, algorithmic trading (achieving the execution of an order pursuant to a benchmark such as VWAP or TWAP), statistical arbitrage, pairs trading, and market making. High frequency market makers (aka: electronic liquidity providers or ELPs, electronic market makers or EMMs, and our favourite, extreme liquidity providers or XLPs) compete to post the earliest and best priced bids and offers in stocks in an attempt to (a) capture the spread, and (b) earn the liquidity provision incentive offered by all auction market venues in Canada. In a perfect situation the ELP will buy and sell a stock within milliseconds, thereby capturing the spread (typically a penny a share for most heavily traded Canadian stocks) and earning the provision rebate from the market on both legs of the trade, while incurring minimal market risk. This is not to say that electronic market making is a “risk free” endeavour: in addition to the risk that they may not be able to flatten out a position, the ELP takes on significant computer costs in the development of its market making programmes and infrastructure provisioning, and also faces serious competitive risk in the day to day operation of the system. There is no prize for coming in second in the price/time auction model!
- We believe that arrival of high frequency trading in Canada has led to important advances in the efficiency of our markets, more than justifying the investment that the infrastructure providers have been required to make to accommodate the increased flow into the markets: examining the narrowing in spreads (especially for the index and inter-listed stocks) and the increased turn over in these names over the last twelve months, tells us that investors of all kinds have benefitted enormously from the new state of the market. Simply put, there is more liquidity at better prices than has been available to the Canadian investing public at any time in history.

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Much of the negative comment in the press, and in analyst reports on the topic, results from a US debate over the practice of “flash” quotes. US market rules require an exchange or Alternative Trading System to “route away” any order that it receives from a dealer/client that is executable on another venue (but not, obviously, executable on its own system). Under the regulation, the venue has a grace period of half a second (designed to account for issues with US market linkages and the fact that some of the systems were floor based in 2003 when the rules came into force) in which to pass the order on. Facing a double incentive to not lose the trade resulting from the order (loss of trading fee and share of market data revenue arising from the print), three venues decided to deliver a service to their participants that alerted interested parties to the existence of the marketable order, and the fact that the first corresponding order entered against the “held” order would be guaranteed a trade. Needless to say, the only parties capable of responding to these “flash” messages in the available milliseconds are technically sophisticated high frequency traders. There is a strong sense in most market circles that signaling the existence of a marketable order to the small group of participants capable of acting on the information, who receive a liquidity incentive rebate from the market venue for hitting the order, is unfair to the general investing public who can’t take advantage of this information. We also believe that the “flash quote” is a by product of where the trade through avoidance obligation is placed in the US: if the dealer were required to route to the market showing the best price, none of these order types and market structures would have emerged. Placing the obligation on the marketplace creates an incentive for the marketplace to come up with order types and information services designed to provide an execution of the order, come what may. The danger is that these order types may not be in the best interests of the end client.

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All of these issues highlight the state of transition we find ourselves in as we move from open outcry systems with official market makers to a system based on stricter notions of price and time priority. It is clear to us that high frequency traders in general, and ELPs specifically, can fulfill a major and positive role in performing a similar function as specialists and responsible registered traders played in the markets of old. The tighter spreads and increased turn over, even against the backdrop of a precipitous market decline over the last 12 months, prove the merit of this case. We believe that a key reason for the downfall of the old system was the high price paid by market participants for the liquidity supplied by market makers. This price came in the form of informational advantages conferred on market makers by the marketplace, and preferential participation for the market makers against marketable orders in return for minimum spread and liquidity guarantees. The key to the continued development and growth of the new market making model is to ensure that no actual or perceived informational advantages are conferred on the ELPs by the marketplaces receiving the benefits of their order flow.

For the month, the top 20 traded instruments on Pure Trading were:

Name	Stock	Volume	MK Share
FORTUNE MNRL J	FT	7,341,300	86.95%
BOMBARDIER INC. CL B, SV	BBD.B	7,253,300	4.07%
WESTERN CANADIAN COAL CORP	WTN	4,609,500	1.93%
NUVO RESEARCH INC.	NRI	4,516,100	3.69%
EQUINOX MINERALS LIMITED	EQN	4,300,300	2.51%
ISHARES™ CDN LARGCAP 60 INDEX FUND	XIU	4,210,380	1.03%
MERCATOR MINERALS LTD.	ML	4,036,900	2.65%
OPTI CANADA INC.	OPC	3,960,800	2.80%
BREAKWATER RESOURCES LTD.	BWR	3,911,500	3.52%
EASTERN PLATINUM LIMITED	ELR	3,674,100	3.45%
URANIUM ONE INC.	UUU	2,880,600	2.51%
LUNDIN MINING CORPORATION	LUN	2,739,500	2.60%
GRANDE CACHE COAL CORP.	GCE	2,406,700	1.50%
BCE INC.	BCE	1,844,400	2.06%
CENTAMIN EGYPT LIMITED	CEE	1,817,600	3.00%
DENISON MINES CORP.	DML	1,806,100	2.70%
HIGH RIVER GOLD MINES LTD.	HRG	1,563,500	3.34%
CDN HYDRO DEV J	KHD	1,467,700	2.34%
NEW GOLD INC.	NGD	1,467,400	3.54%
YUKON-NEVADA GOLD CORP.	YNG	1,309,000	6.07%

CNSX Dealers

- ❖ Acker Finley Inc.
- ❖ Barclays Corporation Limited.
- ❖ BBS Securities Inc.
- ❖ Berkshire Securities
- ❖ Blackmont Capital Inc.
- ❖ Blackwatch Capital Corp.
- ❖ BMO Nesbitt Burns Inc.
- ❖ Bolder Investment Partners Ltd.
- ❖ Brant Securities Limited
- ❖ Brockhouse & Cooper
- ❖ Byron Securities Limited
- ❖ Caldwell Securities Ltd.
- ❖ CIBC World Markets Inc.
- ❖ Canaccord Capital Corporation
- ❖ Citigroup Global Markets Canada Inc.
- ❖ Clarus Securities
- ❖ Commission Direct Inc.
- ❖ Credit Suisse Securities
- ❖ D&D Securities Company
- ❖ Desjardins Securities
- ❖ Dundee Securities Corporation
- ❖ e3m Investments Inc.
- ❖ Edward Jones
- ❖ Fimat Canada Inc.
- ❖ First Energy Capital Corp.
- ❖ Gateway Securities Inc.
- ❖ Genuity Capital Markets
- ❖ Global Securities Corporation
- ❖ GMP Securities LP
- ❖ Goldman Sachs Canada Inc.
- ❖ Haywood Securities Inc.
- ❖ HSBC Securities (Canada) Inc.
- ❖ ITG Canada Corp.
- ❖ Independent Trading Group
- ❖ Infinium Capital Corp.
- ❖ Instinet Canada Ltd.
- ❖ Integral Wealth Securities Limited
- ❖ Interactive Brokers Canada Inc.
- ❖ International Advisory Services Group
- ❖ Jitney Group Inc.
- ❖ J.P. Morgan Securities Canada Inc.
- ❖ Jordan Capital Markets Inc.
- ❖ Jones, Gable & Company Limited
- ❖ Jones Trading Canada Inc.
- ❖ Leede Financial Markets Inc.
- ❖ Loewen Ondaatje McCutcheon Ltd.
- ❖ MF Global Canada Co.
- ❖ MGI Securities Inc
- ❖ MacDougall, MacDougall & MacTier Inc.
- ❖ Merrill Lynch Canada Inc.
- ❖ Morgan Stanley Canada Ltd.
- ❖ National Bank Financial
- ❖ Norstar Securities International Inc.
- ❖ Northern Securities Inc.
- ❖ Octagon Capital Corporation
- ❖ Odlum Brown Limited
- ❖ Orion Financial Corp.
- ❖ PI Financial Corp.
- ❖ Paradigm Capital Inc.
- ❖ Penson Financial Services Canada
- ❖ Peters & Co. Limited
- ❖ Pictet Canada LP
- ❖ Pollitt & Co. Inc.
- ❖ Qtrade Securities Inc.
- ❖ Questrade Inc.
- ❖ Raymond James Ltd.
- ❖ RBC Dominion Securities Inc.
- ❖ Research Capital Corporation
- ❖ Salman Partners Inc.
- ❖ Sandfire Securities Inc.
- ❖ Scotia Capital Inc.
- ❖ Scotia iTrade Corp.
- ❖ State Street Global Markets Canada Inc.
- ❖ Cormark Securities Inc.
- ❖ TD Securities Inc.
- ❖ Toll Cross Securities Inc.
- ❖ Tristone Capital
- ❖ UBS Securities Canada Inc.
- ❖ Union Securities Ltd.
- ❖ W.D. Latimer Co. Limited
- ❖ Wellington West Capital Markets Inc.
- ❖ Westwind Partners Inc.

For information on becoming a CNSX dealer contact:

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Law & Accounting Matters

Québec Stock Savings Plan II

By: Maria Pavelis and Emilie Bachand

COLBY, MONET, DEMERS,
DELAGE & CREVIER L.L.P.

In today's economy, we are all familiar with the difficulties facing corporations trying to raise capital. In an effort to boost the capitalization of Québec-based listed companies, the Québec government introduced in its 2009-2010 Budget, several major enhancements to its stock growth plan for small to medium-sized businesses. The plan has been renamed the "Stock Savings Plan II" ("SSP II").

In a nutshell, the SSP II provides individuals (other than trusts) residing in Québec with income tax deduction opportunities for supporting the capitalization of Québec-based listed companies. Québec residents may deduct from their taxable income, at the provincial level, 150% of the adjusted cost of eligible shares, generally common shares, or 100% for eligible securities if the following requirements are satisfied:

1. the eligible shares or securities are issued by a qualified issuing corporation under the SSP II;
2. the eligible shares or securities must qualify under the law;
3. an arrangement must be entered into by the investor and a dealer who will be entrusted with such shares and securities; and
4. the minimum holding period requirements are respected.

The increased tax deduction of 150% is available for eligible shares acquired prior to January 1st, 2011 after which date, the tax deduction will return to 100%.

Qualified Issuing Corporation

In order to qualify as a "qualified issuing corporation" under the SSP II, a corporation must satisfy the following conditions:

- a) be a Canadian corporation with assets of less than \$200 million;
- b) the corporation's central management is in Québec;
- c) in its last taxation year, over one-half of the wages paid by the corporation were paid to Québec-based employees;
- d) throughout the preceding twelve months, the corporation carried on a business and had at least 5 full-time employees who were neither insiders nor related to insiders;
- e) not more than 50% of the value of the corporation's property consists of investments other than certain qualified investments;
- f) the corporation is listed on a Canadian stock exchange; and
- g) the corporation has proceeded under the SSP II, with a public offering by way of prospectus or has obtained an exemption to file a prospectus.

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Minimum Holding Period

In order to benefit from the tax deductions provided for under the SSP II, investors are required to hold the eligible shares or securities on December 31st of the year of acquisition and on December 31st of the two subsequent years subject to certain conditions.

An investor who includes an eligible share or security in a SSP II and withdraws it from the plan, for example by selling it, prior to the end of the minimum holding period, may be required to include an amount up to 150% of the adjusted cost of acquisition of the said eligible share or security in the computation of his income for Québec income tax purposes for the period in which the withdrawal occurred.

However, it is possible for that investor to reduce the amount that must be included in his income if he acquires an eligible share as a replacement within the prescribed delay. The individual may thus acquire eligible shares under the SSP II on the secondary market. Eligible shares under the SSP II are shares purchased through a Canadian stock exchange such as the Canadian National Stock Exchange (“CNSX”) of a corporation whose name appears on the list published by the Autorité des marchés financiers. This list includes the names of qualified issuing corporations who have made an offering under the SSP II or its predecessor during the course of the preceding four years as well as corporations who have filed an application with Revenue Québec in order to be listed.

Investor qualifications

The tax benefit under the SSP II is available to investors residing in Québec on December 31st of the year of acquisition. The deduction is subject to a maximum of 10% of the investor’s total income for the year.

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The improvements introduced to the SSP II should entice more corporations to be listed in order to have their shares qualify under the plan and therefore attract a greater number of investors. The SSP II will come to an end on December 31st, 2014.

This article is intended to provide a general summary and overview of the Québec Stock Savings Plan II and should not be construed as a legal opinion, tax opinion nor a complete legal analysis of the subject matter. Maria Pavelis and Emilie Bachand are lawyers at Colby, Monet, Demers, Delage and Crevier LLP, a law firm specializing in business law, securities and corporate finance.

CNSX Events

Seminar: “CNSX – The Canadian Market Solution for OTC Issuers”
Sept 10, 2009 at 8 am Four Seasons Vancouver, British Columbia

Don Gordon, Sr. Advisor to CNXS will be a guest speaker at the CNSX – The Canadian Market Solution for OTC Issuers seminar sponsored by the CLCA: Canadian Listed Company Association. Due to recent rule changes many OTC Issuers have been required to become reporting in Canada. Learn how to use the reporting issuer designation to your advantage and gain a new trading market in Canada. This seminar is intended to provide an overview of the eligibility requirements of The Canadian National Stock Exchange and the legal and financial aspects of a CNSX listing. Other speakers include Larry Yen and Conrad Nest from Clark Wilson LLP and Erez Bahar from Davidson & Co.

For more information or for registration please call 604.331.1213 X 225 or email anna.dalaine@cnsx.ca