

FORM 31-103F1 CALCULATION OF EXCESS WORKING CAPITAL

Firm Name

Capital Calculation

(as at _____ with comparative figures as at _____)

	Component	Current period	Prior period
1.	Current assets		
2.	Less current assets not readily convertible into cash (e.g., prepaid expenses)		
3.	Adjusted current assets Line 1 minus line 2 =		
4.	Current liabilities		
5.	Add 100% of long-term related party debt unless the firm and the lender have executed a subordination agreement in the form set out in Appendix B and the firm has delivered a copy of the agreement to the regulator		
6.	Adjusted current liabilities Line 4 plus line 5 =		
7.	Adjusted working capital Line 3 minus line 6 =		
8.	Less minimum capital		
9.	Less market risk		
10.	Less any deductible under the firm's bonding or insurance policy		
11.	Less Guarantees		
12.	Less unresolved differences		
13.	Excess working capital		

Notes:

This form must be prepared on an unconsolidated basis.

Line 8. Minimum Capital – The amount on this line must be not less than (a) \$25,000 for an adviser, (b) \$50,000 for a dealer, and (c) \$100,000 for an investment fund manager.

Line 9. Market Risk – The amount on this line must be calculated according to the instructions set out in Schedule 1 to this Form.

Line 11. Guarantees – If the registered firm is guaranteeing the liability of another party, the total amount of the guarantee must be included in the capital calculation. If the amount of a guarantee is included in the firm's balance sheet as a current liability and is reflected in line 4, do not include the amount of the guarantee on line 11.

Line 12. Unresolved differences – Any unresolved differences that could result in a loss from either firm or client assets must be included in the capital calculation.

The examples below provide guidance as to how to calculate unresolved differences:

- (i) If there is an unresolved difference relating to client securities, the amount to be reported on Line 12 will be equal to the market value of the client securities that are short, plus the applicable margin rate for those securities.
- (ii) If there is an unresolved difference relating to the registrant's investments, the amount to be reported on Line 12 will be equal to the market value of the investments (securities) that are short.
- (iii) If there is an unresolved difference relating to cash, the amount to be reported on Line 12 will be equal to the amount of the shortfall in cash.

Management Certification

Registered Firm Name: _____

We have examined the attached capital calculation and certify that the firm is in compliance with the capital requirements as at _____.

Name and Title	Signature	Date
1. _____ _____	_____	_____
2. _____ _____	_____	_____

**Schedule 1 of Form 31-103F1 Calculation of Excess Working Capital
(calculating line 9 [market risk])**

For each security whose value is included in line 1, Current Assets, multiply the market value of the security by the margin rate for that security set out below. Add up the resulting amounts for all of the securities you hold. The total is the "market risk" to be entered on line 9.

(a) Bonds, Debentures, Treasury Bills and Notes

- (i) Bonds, debentures, treasury bills and other securities of or guaranteed by the Government of Canada, of the United Kingdom, of the United States of America and of any other national foreign government (provided such foreign government securities are currently rated Aaa or AAA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively), maturing (or called for redemption):

within 1 year	1% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years	1 % of market value
over 3 years to 7 years	2% of market value
over 7 years to 11 years	4% of market value
over 11 years	4% of market value

- (ii) Bonds, debentures, treasury bills and other securities of or guaranteed by any province of Canada and obligations of the International Bank for Reconstruction and Development, maturing (or called for redemption):

within 1 year	2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years	3 % of market value
over 3 years to 7 years	4% of market value
over 7 years to 11 years	5% of market value
over 11 years	5% of market value

- (iii) Bonds, debentures or notes (not in default) of or guaranteed by any municipal corporation in Canada or the United Kingdom maturing:

within 1 year	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years	5 % of market value
over 3 years to 7 years	5% of market value
over 7 years to 11 years	5% of market value
over 11 years	5% of market value

- (iv) Other non-commercial bonds and debentures, (not in default):

10% of market value

- (v) Commercial and corporate bonds, debentures and notes (not in default) and non-negotiable and non-transferable trust company and mortgage loan company obligations registered in the registered firm's name maturing:

within 1 year	3% of market value
over 1 year to 3 years	6 % of market value
over 3 years to 7 years	7% of market value
over 7 years to 11 years	10% of market value
over 11 years	10% of market value

(b) Bank Paper

Deposit certificates, promissory notes or debentures issued by a Canadian chartered bank (and of Canadian chartered bank acceptances) maturing:

within 1 year	2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	apply rates for commercial and corporate bonds, debentures and notes

(c) Acceptable foreign bank paper

Deposit certificates, promissory notes or debentures issued by a foreign bank, readily negotiable and transferable and maturing:

within 1 year	2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	apply rates for commercial and corporate bonds, debentures and notes

"Acceptable Foreign Bank Paper" consists of deposit certificates or promissory notes issued by a bank other than a Canadian chartered bank with a net worth (i.e., capital plus reserves) of not less than \$200,000,000.

(d) Mutual Funds

Where securities of mutual funds qualified by prospectus for sale in any province of Canada, the margin required is:

- (i) 5% of the market value of the fund, where the fund is a money market mutual fund as defined in National Instrument 81-102; or
- (ii) the margin rate determined on the same basis as for listed stocks multiplied by the market value of the fund.

(e) Stocks

- (i) On securities (other than bonds and debentures) including rights and warrants listed on any exchange in Canada or the United States:

Long Positions – Margin Required

Securities selling at \$2.00 or more – 50% of market value

Securities selling at \$1.75 to \$1.99 – 60% of market value

Securities selling at \$1.50 to \$1.74 – 80% of market value

Securities selling under \$1.50 – 100% of market value

Short Positions – Credit Required

Securities selling at \$2.00 or more – 150% of market value

Securities selling at \$1.50 to \$1.99 - \$3.00 per share

Securities selling at \$0.25 to \$1.49 – 200% of market value

Securities selling at less than \$0.25 – market value plus \$0.25 per shares

(ii) For positions in securities (other than bonds and debentures but including warrants and rights), 50% of the market value if the security is a constituent security on a major broadly-based index of one of the following exchanges:

- (a) American Stock Exchange
- (b) Australian Stock Exchange Limited
- (c) Bolsa de Valores de Sao Paulo
- (d) Borsa Italiana
- (e) Boston Stock Exchange
- (f) Chicago Board of Options Exchange
- (g) Chicago Board of Trade
- (h) Chicago Mercantile Exchange
- (i) Chicago Stock Exchange
- (j) Euronext Amsterdam
- (k) Euronext Brussels
- (l) Euronext Paris S.A.
- (m) Frankfurt Stock Exchange
- (n) London International Financial Futures and Options Exchange
- (o) London Stock Exchange
- (p) Montreal Exchange
- (q) New York Mercantile Exchange
- (r) New York Stock Exchange
- (s) New Zealand Exchange Limited
- (t) Pacific Exchange
- (u) Swiss Exchange
- (v) The Stock Exchange of Hong Kong Limited
- (w) Tokyo Stock Exchange
- (x) Toronto Stock Exchange
- (y) TSX Venture Exchange

(f) **For all other securities** – 100% of market value.

APPENDIX B – SUBORDINATION AGREEMENT

(Line 5 of Form 31-103F1 Calculation of excess working capital)

SUBORDINATION AGREEMENT

THIS AGREEMENT is made as of the ____ day of _____, 20__

BETWEEN:

[insert name]

(the "**Lender**")

AND

[insert name]

(the "**Registered Firm**", which term shall include all successors and assigns of the Registered Firm)

(collectively, the "**Parties**")

This Agreement is entered into by the Parties under National Instrument 31-103 *Registration Requirements and Exemptions* ("**NI 31-103**") in connection with a loan made on the ____ day of _____, 20__ by the Lender to the Registered Firm in the amount of \$ _____ (the "**Loan**") for the purpose of allowing the Registered Firm to carry on its business.

For good and valuable consideration, the Parties agree as follows:

1. Subordination

The repayment of the loan and all amounts owned thereunder are subordinate to the claims of the other creditors of the Registered Firm.

2. Dissolution, winding-up, liquidation, insolvency or bankruptcy of the Registered Firm

In the event of the dissolution, winding-up, liquidation, insolvency or bankruptcy of the Registered Firm:

- (a) the creditors of the Registered Firm shall be paid their existing claims in full in priority to the claims of the Lender;
- (b) the Lender shall not be entitled to make any claim upon any property belonging or having belonged to the Registered Firm, including asserting the right to receive any payment in respect to the Loan before the existing claims of the other creditors of the Registered Firm have been settled.

3. Terms and conditions of the Loan

During the term of this Agreement:

- (a) interest can be paid at the agreed upon rate and time, provided that the payment of such interest does not result in a capital deficiency under NI 31-103;
- (b) any loan or advance or posting of security for a loan or advance by the Registered Firm to the Lender, shall be deemed to be a payment on account of the Loan.

4. Notice to the Securities Regulatory Authority

The Registered Firm must notify the Securities Regulatory Authority prior to the full or partial repayment of the loan. Further documentation may be requested by the Securities Regulatory Authority after receiving the notice from the Registered Firm.

5. Termination of this Agreement

This Agreement may only be terminated by the Lender once the notice required pursuant to Section 4 of this Agreement is received by the Securities Regulatory Authority.

The Parties have executed and delivered this Agreement as of the date set out above.

[Registered Firm]

Authorized signatory

Authorized signatory

[Lender]

Authorized signatory

Authorized signatory