

Draft: February 17, 2005

EXHIBIT C

MFDA INVESTOR PROTECTION CORPORATION COVERAGE POLICY – [· 2005]

POLICY

The coverage by MFDA IPC of losses suffered by customers of insolvent MFDA members is in the discretion of the Board of Directors of MFDA IPC. Subject to the ability of the Board of Directors to determine otherwise, the exercise of such discretion is intended to be in accordance with the terms of this Policy.

DEFINITION OF CUSTOMERS

A customer considered eligible for protection by MFDA IPC shall be any customer of an MFDA member having an approved securities account used solely for the purpose of transacting securities business directly with the insolvent member on account of securities, other property (such as segregated insurance funds) and cash balances received, acquired, borrowed or held for the customer. An approved securities account is any account opened in accordance with the rules governing new accounts prescribed by or under the MFDA or any Canadian securities legislation. Such accounts are to be fully disclosed in the records of the insolvent member and are normally evidenced by receipts, contracts and statements that have been issued by the member.

MFDA maintains on its website at www.mfda.ca a list of members whose eligible customers are entitled to protection subject to the terms of this Policy.

MFDA is not recognized as a self-regulatory organization in the Province of Quebec and assessments for MFDA IPC funding are not made in respect of assets under administration of Members in Quebec. Accordingly, customers with accounts in Quebec at MFDA members, and whose assets held by MFDA members in Quebec are not subject to such assessment, will not be entitled to protection by MFDA IPC except as the Board of Directors of MFDA IPC shall otherwise in its discretion determine.

A customer shall be an individual, a corporation, a partnership, an unincorporated syndicate, an unincorporated organization, a trust, a trustee, an executor, an administrator or other legal representative but shall not include:

- i) a domestic or foreign securities or mutual fund dealer registered with a Canadian securities commission or foreign equivalent;
- ii) any individual or corporation to the extent that such person has a claim for cash or securities which by contract, agreement, or understanding, or by operation of law, is part of the capital of the insolvent member such that the claim represents

five percent or more of any class of equity security of the insolvent member, or any individual who has a claim which is subordinated to the claims of any or all creditors of the insolvent member;

- iii) a general partner or director of the insolvent member;
- iv) a limited partner with a participation of five percent or more in the net assets or net profits of the insolvent member;
- v) someone with the power to exercise a controlling influence over the management or policies of the insolvent member;
- vi) a clearing corporation;
- vii) a customer of an institution, securities dealer or other party dealing with a member on an omnibus basis; and
- viii) a person who caused or materially contributed to the insolvency of a member.

Persons who deal with members through accounts used for business financing purposes are not eligible for coverage in respect of such accounts. The Directors may also determine that persons are not customers entitled to protection if they do not deal at arm's length with (i) an insolvent member or (ii) with a person who is excluded as a customer.

Securities, cash, segregated funds or other property that is not held by the member, or not recorded in a customer's account as being held by a member, such as mutual fund securities that are registered directly in the name of the customer with the mutual fund company, are not eligible for MFDA IPC coverage.

LIMITS OF COVERAGE

The determination of the amount of financial loss suffered by a customer of an insolvent member for the purposes of payment by MFDA IPC and the maximum limits of such payments shall be in accordance with this Policy. In addition, the Board of Directors may exercise its discretion, in respect of determining customers eligible for protection and the amount of financial loss suffered, in a manner that is consistent with the right and extent to which a person may be entitled to claim against the customer pool fund of a member under the *Bankruptcy and Insolvency Act* (Canada), subject to other restrictions in this Policy and the sole discretion of the Directors to determine protection by MFDA IPC. The Directors may rely on the trustee in bankruptcy or the receiver under applicable law in determining the amount and validity of claims of a customer and for the purpose of calculating financial loss.

In the case of any question or dispute as to the amount of the financial loss incurred by a customer for the purposes of payment by MFDA IPC, and the maximum amounts to

be paid to a customer, the interpretation of the Board of Directors of this Policy shall be final and conclusive. The Board of Directors reserves the right in the appropriate circumstances to authorize any payments in a manner other than as prescribed in this Policy.

Determination of Customer Losses

The financial loss of a customer in respect of which the Directors may authorize payment by MFDA IPC shall be determined as at the applicable date (as fixed by the Board of Directors) after taking into account the delivery of any securities or property to which the customer is entitled and the distribution of any assets of the insolvent member. Accordingly, the maximum amount of securities, cash and other property which MFDA IPC may pay to a customer shall be calculated as the balance of the customer's financial loss as a result of the insolvency of the member net of such deliveries or payments. The Board of Directors may in its discretion reduce the amount of the financial loss of a customer for the purposes of authorizing payments by the amount of compensation the customer may receive from any other source. To be eligible for coverage, the claim by any customer must be filed with MFDA IPC or the trustee in bankruptcy or similar official of the insolvent member within 180 days of the date of insolvency.

The date at which the financial loss of a customer is determined shall be fixed by the Directors as the date of bankruptcy of the member, if applicable, or the date on which, in the opinion of the Directors, the member became insolvent. The amount of securities delivered to a customer in satisfaction of a claim shall be the amount of securities to which the customer was entitled as at the date for determining financial loss without regard to subsequent market fluctuations. In lieu of satisfying a claim by the delivery of securities, cash in an amount equal to the value of the securities as at the date for determining financial loss may be paid to the customer even though the amount of such cash is not equal to the value of such securities as at the date of payment.

Maximum Limits of Payments

The Board of Directors may authorize payments to be made to each customer considered eligible for protection by MFDA IPC who has suffered financial loss to a maximum amount of \$1,000,000 attributable to securities, cash and other property held by the member with respect to each of (i) the aggregate of all the customer's General Accounts and (ii) each type of aggregated Separate Account of the customer, as such General and Separate Accounts are determined by the Board of Directors. The amount of a customer's claim for cash will be reduced to the extent that the customer is entitled to deposit insurance in respect of all or any of the cash held for an account or to compensation in respect of other securities or property.

GENERAL ACCOUNTS

Each account of a customer considered eligible for protection by MFDA IPC which is not a Separate Account shall be one of the General Accounts of such customer. All General Accounts of a customer, or any interest the customer may have therein, shall be combined or aggregated so as to constitute a single account of such customer for the purposes of determining the payments to be made to the customer. The interest of a customer in an account which is held on a joint or shared ownership basis shall be treated as if it were a Separate Account and combined with the General Accounts of the customer. An account held by a nominee or agent for another person as a principal or beneficial owner shall, except as otherwise provided in this Policy, be deemed to be the account of the principal or beneficial owner. The General and Separate Accounts that a customer has with a member will not be combined with the General and Separate Accounts that the same customer may have with another member, including another member who has an introducing / carrying agreement with the first member.

SEPARATE ACCOUNTS

Each account of a customer held by it in the capacity or circumstance set out below shall be considered a Separate Account of the customer. Unless otherwise indicated below, each Separate Account held by a customer in the same capacity or circumstance shall be combined or aggregated so as to constitute a single Separate Account. The burden shall be on the customer to establish each capacity or circumstance in which the customer claims to hold Separate Accounts. An account of a customer shall not be a Separate Account if it existed on the date of insolvency primarily for the purpose of increasing protection by MFDA IPC.

Registered Retirement Plans: *accounts of registered retirement or deferred income plans such as registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), life income funds (LIFs), locked-in retirement accounts or plans (LIRAs or LIRSPs) and locked-in retirement income funds (LRIFs) established for the account of a customer (excluding spousal plans) which comply with the requirements under the Income Tax Act (Canada) for such plans and which have been accepted by the Minister under such Act, where the customer is entitled to the benefits of the plan. Accounts established with respect to a customer through the same or different trustees shall be combined and aggregated.*

Registered Education Savings Plans: *accounts of education savings plans which comply with the requirements under the Income Tax Act (Canada) for registered education savings plans and which have been accepted by the Minister under such Act, where the customer is the subscriber of the plan. Accounts established with respect to a customer through the same trustee shall be combined and aggregated by trustee, but not if established through different trustees.*

Testamentary Trusts: *accounts held in the name of a decedent, his or her estate or the executor or administrator of the estate of the decedent. Accounts of testamentary trusts held by the same executor or administrator shall not be combined or aggregated unless held in respect of the same decedent.*

Inter-vivos Trusts and Trusts Imposed by Law: accounts of inter-vivos trusts which are created by a written instrument and trusts imposed by law. Such Separate Accounts of customers shall be distinct from the trustee, the settlor or any beneficiary.

Guardians, Custodians, Conservators, Committees, etc.: accounts maintained by a person as a guardian, custodian, conservator, committee or similar capacity in respect of which accounts such person has no beneficial interest. Such accounts held by the same person in any such capacity shall not be combined or aggregated unless held in respect of the same beneficial owner.

Holding Corporation: accounts of corporations controlled by a customer provided that the beneficial ownership of a majority of the equity capital of the corporation is held by persons other than the customer.

Partnerships: accounts of partnerships controlled by a customer provided that the beneficial ownership of a majority of the equity interests in the partnership is held by persons other than the customer.

Unincorporated Associations or Organizations: accounts of unincorporated associations or organizations controlled by a customer provided that the beneficial ownership in a majority of the assets of the association or organization is held by persons other than the customer.