



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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

-AND-

**IN THE MATTER OF QUADREXX ASSET MANAGEMENT INC.,
QUADREXX SECURED ASSETS INC., OFFSHORE OIL VESSEL SUPPLY
SERVICES LP, QUIBIK INCOME FUND AND QUIBIK OPPORTUNITY FUND**

**TEMPORARY ORDER
Subsections 127(1) & 127(5)**

WHEREAS it appears to the Ontario Securities Commission (the "Commission") that:

Quadrex's Business

1. Quadrex Asset Management Inc. ("Quadrex") is a company incorporated pursuant to the laws of Canada with its registered office located in Toronto, Ontario. From 2004 to 2009, Quadrex was registered under the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act") as an investment counsel and portfolio manager. From 2009 to the present, Quadrex was registered as an adviser in the category of portfolio manager. From 2005 to 2009, Quadrex was registered as a limited market dealer. From 2009 to the present, Quadrex has been registered as a dealer in the category of exempt market dealer. Since 2011, Quadrex has also been registered as an investment fund manager.
2. Quadrex is registered under the securities legislation of certain other provinces, including the *Securities Act*, R.S.A. 2000, c. S-4, as amended. In Alberta, Quadrex is registered as a dealer in the category of exempt market dealer, as an advising representative in the category of portfolio manager and as an investment fund manager. Quadrex has approximately 30 dealing representatives at a sales office in Calgary, Alberta.

3. Quadrex is the portfolio manager for certain managed accounts with approximately \$35 million in assets (the “Managed Accounts”) held at three third party custodians.
4. Quadrex is the investment fund manager and portfolio manager of the Quibik Income Fund (“QIF”), the Quibik Opportunity Fund (“QOF”) and Quadrex Secured Assets Inc. (“QSA”).
5. Quadrex is the portfolio manager of Diversified Assets LP (“DALP”), Offshore Oil Vessel Supply Services LP (“OOVSS”) and the Canadian Hedge Watch Index Plus LP (“CHWIP”).
6. QSA, QIF, QOF, OOVSS, DALP and CHWIP are collectively referred to as the “Quadrex Funds”.
7. Securities of QSA, QIF, QOF and OOVSS are being offered to investors in Ontario and in other provinces in reliance on Quadrex’s exempt market dealer registration and on purportedly available exemptions from the prospectus requirement. Securities of QSA, QIF, QOF and OOVSS are collectively referred to in this Temporary Order as the “Quadrex Related Securities”.
8. Quadrex also distributes third party non-proprietary securities in reliance on its exempt market dealer registration.

Quadrex’s Working Capital Deficiency

9. Quadrex has been experiencing financial difficulties since at least 2008 and had a net operating loss for each year since 2008. A going concern note has been included in each of Quadrex’s financial statements since 2008.
10. Subsection 12.1(1) of National Instrument 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations (“N1 31-103”) states that if, at any time, the excess working capital of a registered firm, as calculated in accordance with Form 31-103F1- Calculation of Excess Working Capital (“Form 31-103F1”) is less than zero, the registered firm must notify the regulator as soon as possible. Subsection 12.1(2) of N1 31-103 states that the

excess working capital of a registered firm as calculated in accordance with Form 31-103F1 must not be less than zero for two consecutive days.

11. On January 14, 2013, Quadrexx notified Staff of the Commission that the firm had an excess working capital of less than zero by delivering a Form 31-103F1 which indicated that the firm had a working capital deficiency of \$115,877.

QAM I and QAM II Offerings

12. From March 2009 to February 2011, Quadrexx issued shares of itself called QAM Class I Cumulative Redeemable Retractable Convertible Preference Shares (“QAM I”) and raised approximately \$8 million.

13. Since March 2011, Quadrexx has issued additional preferred shares of itself, the QAM Class II Cumulative Redeemable Retractable Convertible Preference Shares (“QAM II”) and raised approximately \$4 million.

14. On June 20, 2012, Quadrexx provided an undertaking to Staff that all trading in the securities of Quadrexx (including QAM I and QAAM II) shall cease. This undertaking remains in effect.

15. On July 5, 2012, the Alberta Securities Commission ordered that all trading or purchasing cease in respect of any security of Quadrexx. This cease trade order remains in effect.

QSA Offering

16. By offering memorandums dated August 15, 2011 and August 30, 2012, shares and notes of QSA were offered to investors in Ontario and in other provinces purportedly in reliance on exemptions to the prospectus requirement.

AND WHEREAS Staff's investigation is ongoing;

AND WHEREAS it appears to the Commission that Quadrex is capital deficient contrary to subsection 12.1(2) of NI 31-103 and may have engaged in conduct that is contrary to the Act;

AND WHEREAS Staff has filed the affidavit of Yvonne Lo sworn February 1, 2013 in support of the Temporary Order and made oral submissions in support of the requested Order;

AND WHEREAS Quadrex's counsel made oral submissions opposing the requested Order;

AND WHEREAS the Commission is of the opinion that the time required to conclude a hearing could be prejudicial to the public interest as set out in subsection 127(5) of the Act;

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

AND WHEREAS by Authorization Order made June 13, 2012, pursuant to subsection 3.5(3) of the Act, the Commission authorized each of Howard I. Wetston, James E. A. Turner, Kevin J. Kelly, James D. Carnwath, Mary G. Condon, Margot C. Howard, Paulette L. Kennedy, Vern Krishna, Christopher Portner and Edward P. Kerwin, acting alone, to exercise the powers of the Commission to make Orders under section 127 of the Act;

IT IS HEREBY ORDERED that all trading in the securities of Quadrex and Quadrex Related Securities shall cease;

IT IS FURTHER ORDERED that the following terms and conditions apply to the registration of Quadrex as an exempt market dealer:

- (i) Quadrex shall be entitled to trade only in securities that are not Quadrex and Quadrex Related Securities;
- (ii) Before trading with or on behalf of any client after the date hereof, Quadrex and any dealing representative shall (a) advise such client that Quadrex has a

working capital deficiency as at December 31, 2012, and (b) deliver a copy of this Order to such client; and

- (iii) Quadrexx and any dealing representatives shall not accept any new clients or open any new client accounts of any kind;

IT IS FURTHER ORDERED that the following terms and conditions apply to the registration of Quadrexx as a portfolio manager and investment fund manager:

- (i) Quadrexx's activities as a portfolio manager and investment fund manager shall be applied exclusively to the Managed Accounts and to the Quadrexx Funds; and
- (ii) Quadrexx shall not accept any new clients or open any new client accounts of any kind;

IT IS FURTHER ORDERED that this order shall take effect immediately and shall expire on the fifteenth day after its making unless extended by order of the Commission.

DATED at Toronto this 6th day of February, 2013.

“James E. A. Turner”

James E. A. Turner