

File No.:

**IN THE MATTER OF  
TRAYNOR RIDGE CAPITAL INC.,  
TR1 FUND, TR1-I FUND, TR3 FUND AND TR1 GP.**

**APPLICATION OF STAFF  
OF THE ONTARIO SECURITIES COMMISSION**  
(For Extension of a Temporary Order Under Subsections 127(8)  
of the *Securities Act*, RSO 1990, c. S.5)

**A. ORDER SOUGHT**

The Applicant, Staff of the Ontario Securities Commission (**Staff**) requests that the Capital Market Tribunal (the **Tribunal**) make the following orders:

1. An Order extending the Temporary Order of the Commission dated October 30, 2023 made with respect to Traynor Ridge Capital Inc. (**Traynor**), TR1 Fund, TR1-I Fund (together the **TR1 Funds**), TR3 Fund (formerly the TR1 Fund LP), and TR1 GP Ltd. (**TR1 GP**) until February 8, 2024;
2. If necessary, an Order abridging the time required for service pursuant to Rules 3 and 4(2) of the Capital Markets Tribunal *Rules of Procedure and Forms*;
3. An order that this application be heard in writing pursuant to Rule 23(3); and
4. Such other Order as the Capital Markets Tribunal considers appropriate in the public interest.

**B. GROUNDS**

The grounds for the request are:

**Background:**

1. Traynor, a company incorporated under the laws of Canada, is registered under the *Securities Act*, RSO 1990, c. S.5 (the *Securities Act*) as an investment fund manager, an advisor in the category of portfolio manager and as a dealer in the category of exempt market dealer;

2. Prior to his recent death, Christopher Callahan was Traynor's sole director, officer and shareholder. He was also Traynor's Ultimate Designated Person and Chief Compliance Officer as required by the *Securities Act*. Callahan was registered as an Advising Representative and Dealing Representative. Other than Callahan, Traynor only has only one other individual registered under the *Securities Act*, William Chyz, who is also registered as an Advising Representative and Dealing Representative;

3. Prior to the appointment of the Receiver, there were no persons or entities able to exercise control over Traynor following Callahan's death. Callahan was the mind and management of Traynor and was the only person or entity legally empowered to make decisions on behalf of Traynor;

4. TR3 Fund, formerly TR1 Fund LP, is a limited partnership that was formed on January 17, 2020 and made available to accredited investors resident in any province or territory of Canada. TR1 GP Ltd. is the general partner for TR1 Fund LP. Callahan was the sole director and officer of TR1 GP Ltd. Traynor was appointed as investment manager of TR3 Fund;

5. Each of the TR1 Funds are open-ended investment funds established as a trust under the laws of the Province of Ontario on January 1, 2022, with Traynor acting as the trustee. The TR1 Fund is made available to accredited investors, whereas the TR1-I Fund is made available to ultra high net worth and institutional investors;

6. The TR1 Funds have common investment strategies and objectives. Both funds invest net subscription proceeds from the sale of their units in redeemable participating shares of the TR1 International Fund (the **International Fund Shares**). The TR1 International Fund, in turn, invests substantially all of the funds received from the issuance of the International Fund Shares in a corresponding class of redeemable participating shares of the TR1 Master Fund (together with the TR1 International Fund, the **Cayman Funds**);

7. Each of the Cayman Funds is an exempted company incorporated with limited liability in the Cayman Islands on November 23, 2021. A board of directors (which included Callahan prior to his death) (the **Cayman Directors**) has overall responsibility for the management and administration of the Cayman Funds. All investment decisions for the TR1 Funds, TR3 Fund and the Cayman Funds (together, the **Funds**) were made by Callahan;

8. Traynor is the investment fund manager of the TR1 Funds and the TR3 Fund. Traynor is also the investment advisor for the Cayman Funds;

### **Traynor had no Controlling Mind**

9. On October 27, 2023, the Canadian Investment Regulatory Organization advised the Enforcement Branch of the Ontario Securities Commission (the **OSC Enforcement**) that several introducing firms had settled trades for Traynor but could not recapture the costs of the trades from one of Traynor's prime brokers. As a result, the dealers have suffered losses;

10. On October 28, 2023, Traynor's counsel advised OSC Enforcement that Callahan was deceased. OSC Enforcement asked if there was any additional information about who was in control of the firm, but no such information was available or expected from the family;

11. On October 30, 2023, OSC Enforcement met with Chyz and Traynor's counsel to discuss recent events and understand Traynor's plan moving forward. At that meeting, Chyz advised that his role at Traynor was limited to sales and marketing, that he had no trading experience nor involvement in any investment decision making, or the surrounding process. Counsel for Traynor also advised that there is no one with signing authority for Traynor and no person who can make decisions on behalf of Traynor;

12. On November 2, 2023, the OSC Enforcement met with Traynor's counsel, the two remaining Cayman Directors and their Cayman counsel who advised, among other things that it was Traynor (Callahan) who made all investment decisions for the Cayman Funds and interacted with the prime brokers on behalf of the Cayman Funds;

### **Temporary Order**

13. On October 30, 2023, the Commission issued a Temporary Order (the **Temporary Order**), pursuant to subsections 127(1) and (5.1) of the *Securities Act* ceasing immediately trading in any securities by or of Traynor and by or of TR1 GP Ltd., and in the securities of the TR1 Funds and the TR3 Fund. The Temporary Order also imposed terms and conditions on Traynor's registration, prohibiting Traynor from: (i) reducing its capital in any manner, (ii) reducing or repaying any

subordinated indebtedness, and (iii) directly or indirectly making payments to any director, officer, partner, shareholder, related company, or affiliate;

14. The Temporary Order took effect immediately and, unless extended by order of the Capital Markets Tribunal, will expire on November 14, 2023;

### **Appointment of the Receiver**

15. Based on the above grounds, the Commission applied on November 3, 2023 to the Ontario Superior Court of Justice (Commercial List) (the **Court**) for an order appointing Ernst & Young Inc. as receiver and manager (in such capacities, the **Receiver**), without security, of all the assets, undertakings and property of Traynor and the Funds (the **Receivership Application**). The Receivership Application was heard on November 3, 2023. The Court granted the application and issued an Order on November 3, 2023 appointing the Receiver (the **Appointment Order**);

### **Extension of the Temporary Order**

16. The Receiver advises that an extension of the Temporary Order will assist the Receiver in carrying out its mandate under the Appointment Order. The Receiver has requested a carve out as required for the Receiver, or its agent, to carry out its functions as set out in the Appointment Order.

17. The Receiver consents to this Application and consents to it being heard in writing;

18. OSC Enforcement has also received information that a preliminary review of Traynor's trading activity shows some trading without any change in beneficial or economic ownership. OSC Enforcement has commenced an investigation into this trading activity, which investigation is ongoing;

19. In light of the appointment of the Receiver, OSC Enforcement does not seek to extend the terms and conditions placed on Traynor's registration in the Temporary Order;

20. The Order sought by OSC Enforcement is necessary to protect investors and is in the public interest;
21. Subsections 127(1) and 127(8) of the Act;
22. Rules 3, 4(2), 13 and 23 of the Capital Markets Tribunal *Rules of Procedure and Forms*; and
23. Such further and other grounds a counsel may advise and the Tribunal may permit.

**B. EVIDENCE**

The Applicant intends to rely on the following evidence at the Hearing:

1. The Affidavit of Ria Sharma sworn November 13, 2023; and
2. Such further evidence as counsel may advise and the Tribunal may permit.

**Date:** November 13, 2023

**STAFF OF THE  
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