

# Alberta Securities Commission Notice

## Acquisition of CDNX by the TSE

The ASC and the British Columbia Securities Commission (BCSC) are reviewing the proposed acquisition of the Canadian Venture Exchange Inc. by the Toronto Stock Exchange Inc. (the transaction) to satisfy themselves that the transaction is not prejudicial to the public interest. To that end, we are conducting a joint public consultation process to solicit the views of market participants on the transaction.

### **What we would like to know**

To assist us in our review, we would like to know if market participants have comments on the transaction. We would also like to know if market participants have suggestions about what the ASC should do to ensure that, if the transaction proceeds, CDNX continues to foster a vibrant junior capital market for investors and issuers in Alberta and Canada.

We would appreciate receiving specific comments on the following questions:

1. The TSE proposes to operate CDNX as a subsidiary of the TSE consistent with schedule 2.6 of the acquisition agreement (which is attached to the Notice). Do you have any comments on the proposed operations or where they are intended to be located?
2. CDNX trading will be centralized on the TSE's new trading engine, NTE, subsequent to the transfer of TSE trading to NTE. What impact, if any, do you anticipate to CDNX trading if the TSE and CDNX issuers trade on the same platform?
3. The TSE proposes to amend its by-laws to provide that at least 25% of the directors of the TSE shall at all times be persons with expertise in, or an association with, the Canadian public venture capital market and that the individuals comprising that 25% will provide broad geographical representation. In addition, the TSE proposes to create an Advisory Board (to be comprised of 8-15 members having expertise in, or association with, the Canadian public venture capital market) to advise the TSE and/or CDNX Boards of Directors on policy matters relating to the public venture capital market and the role of CDNX in respect of that market. The terms of reference of the Advisory Committee are described in schedule 2.4 of the acquisition agreement (also attached to the Notice). In light of the fact that the TSE and CDNX propose to have identical boards of directors, do you feel that the above measures adequately ensure that the issues facing the junior and venture capital markets, and particularly the Alberta markets, will be raised with, and addressed by the Board of Directors?
4. What impact, if any, do you expect the following to have on the capital markets, especially the junior capital markets, in Alberta, in British Columbia and in Canada in general:
  - (a) the transaction; and
  - (b) the conversion of CDNX into a for-profit corporation?

### **What you should know**

We are publishing with this notice CDNX's application for approval of the transaction and schedules 2.4 and 2.6 to the acquisition agreement between the TSE and CDNX. These documents provide more details on the terms of the transaction. We encourage you to read them for a more complete description of the transaction, the reasons for it, and the impact it will have on the operations of CDNX.

CDNX was formed in late 1999 when The Alberta Stock Exchange and the Vancouver Stock Exchange merged to create a specialized exchange for junior and emerging issuers as part of the realignment of

the Canadian exchanges. The ASC and the BCSC recognized CDNX as an exchange in our jurisdictions.

On March 28, 2001, CDNX and the TSE jointly announced an agreement in principle under which the TSE would acquire all of the outstanding shares of CDNX and CDNX would become a wholly owned subsidiary of the TSE and would cease to be a not-for-profit corporation. This agreement is subject to regulatory approvals, including the approval of the ASC.

CDNX and the TSE will hold shareholders' meetings on May 29, 2001. CDNX issued an information circular in which it seeks shareholder approval of various amendments to CDNX's articles, corporate by-law, member agreement and other exchange requirements to make the transaction possible. The TSE also issued an information circular asking shareholders to approve amendments to the TSE's corporate by-law.

CDNX has said that it will continue to operate its offices in Calgary, Vancouver, Winnipeg and Toronto (and Montréal, if it establishes an office in Montréal before completing the transaction). Also, while the TSE will centralize certain of CDNX's operations with its own<sup>1</sup>, CDNX will continue to carry out other operations separately<sup>2</sup>. CDNX has said that, subject to regulatory approval, it will transfer its market regulation function to a soon to be created subsidiary of the TSE and the Investment Dealers Association of Canada, and that investigations and enforcement will continue to be provided at the current CDNX locations and necessary expertise on public venture capital market will be retained.

#### **How should you file your submission**

You are invited to make a written submission on the transaction. We will consider submissions received by June 8, 2001.

Please address your submission as follows:

Alberta Securities Commission  
and British Columbia Securities Commission

c/o Stephen P. Sibold, Q.C., Chair  
Alberta Securities Commission  
4<sup>th</sup> floor, 300-5th Avenue S.W.  
Calgary, Alberta  
T2P 3C4  
E-mail: [tse\\_cdnx\\_comments@seccom.ab.ca](mailto:tse_cdnx_comments@seccom.ab.ca)

We will be sharing your submission with the BCSC and will not be able to maintain its confidentiality.

May 18, 2001

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<sup>1</sup> Over time, the TSE will provide the following services to CDNX: trading system, human resources and general office services, corporate secretarial and legal services, and internal and external communications.

<sup>2</sup> CDNX will continue to provide all corporate finance services and functions to its listed companies and maintain its brand name, its business development capability, and its website.