

ALBERTA SECURITIES COMMISSION

IN THE MATTER OF the Securities Act
(S.A. 1981, c. S-6.1, as amended) (the "Act")

- and -

IN THE MATTER OF THE CANADIAN VENTURE EXCHANGE INC.

RECOGNITION
(Subsection 52(2))

1. WHEREAS Canadian Venture Exchange Inc. ("CDNX") was recognized as an exchange under subsection 52(2) of the Act by Recognition Order dated November 26, 1999 (the "First Recognition Order");
2. AND WHEREAS CDNX has applied to the Commission for approval of a transaction whereby CDNX will become a wholly-owned subsidiary of The Toronto Stock Exchange Inc. (the "TSE") and CDNX will become a for-profit corporation (the "Transaction"), as more fully described in CDNX's application dated May 16, 2001 published under Alberta Securities Commission Notice dated May 18, 2001.
3. AND WHEREAS CDNX's application contains a number of significant changes to the representations and undertakings made by CDNX when its predecessors, the Vancouver Stock Exchange and The Alberta Stock Exchange, applied for recognition under subsection 52(2) of the Act in November, 1999;
4. AND WHEREAS the Commission considers it appropriate to set out in an order the terms and conditions of CDNX's continued recognition as an exchange in Alberta following the Transaction;
5. AND WHEREAS CDNX and the TSE have agreed to the terms and conditions set out in the order;
6. AND WHEREAS based on the application of CDNX, including the representations, undertakings and acknowledgments made by the TSE to the Commission in connection with CDNX's application, the Commission is satisfied that the continued recognition of CDNX following the

**Schedule A
to the Recognition Order of CDNX
Dated July 31, 2001**

National Junior Exchange

1. CDNX will operate a national exchange for junior issuers under a separate brand identity and separately from the national exchange for senior issuers operated by the TSE.
2. CDNX will maintain an office in Calgary.

Public Interest

3. CDNX will operate in the public interest.
4. CDNX will maintain by-laws, rules, regulations, policies, procedures and practices and other similar instruments that:
 - a) are not contrary to the public interest;
 - b) regulate all aspects of its business and affairs; and
 - c) are appropriate to foster a vibrant and effective market for junior issuers.
5. More specifically, CDNX will govern and regulate with the purpose of:
 - a) ensuring compliance with applicable securities legislation and its by-laws, rules, regulations, policies, procedures and practices and other similar instruments;
 - b) preventing fraudulent and manipulative acts and practices;
 - c) promoting just and equitable principles of trade;
 - d) fostering co-operation and co-ordination with persons engaged in regulating, clearing, settling, processing information about, and facilitating transactions in, securities; and
 - e) ensuring that all persons over which CDNX has jurisdiction are appropriately sanctioned for violations of securities legislation and the by-laws, rules, regulations, policies, procedures, practices and other similar instruments of CDNX.

6. CDNX will not
 - a) permit unreasonable discrimination between clients, listed issuers, shareholders, and members or participating organizations; or
 - b) impose any burden on competition that is not necessary or appropriate in view of applicable securities legislation.

Corporate Finance Services and Functions

7. Subject to paragraph 8, CDNX will continue to
 - a) provide corporate finance services and functions to listed issuers and applicants for listing in its Calgary office,
 - b) obtain, solicit and provide regional input on the development of corporate finance policies, and
 - c) perform its existing decision-making and internal review and appeal processes for corporate finance matters

in a manner that is substantially equivalent to the manner in which these services, functions and processes were provided before the transaction.
8. CDNX will not make any significant change to the services, functions and processes outlined in paragraph 7 without first obtaining the approval of the Commission.

Regulatory Functions

9. Subject to paragraph 10, CDNX will continue to
 - a) perform listed company and market surveillance functions in its Calgary office, and
 - b) use its existing decision-making and internal review and appeal processes for surveillance related matters

in a manner that is substantially equivalent to the manner in which these services, functions and processes were provided before the transaction.
10. CDNX will not make any significant change to the services, functions and processes outlined in paragraph 9 without first obtaining the approval of the Commission.
11. As long as CDNX performs any regulatory function, CDNX will advise the Commission in writing at least on a monthly basis of
 - a) all new investigations initiated by CDNX and provide information on the persons involved and the nature of the investigation; and

- b) all investigations that do not lead to disciplinary proceedings and are closed and provide information on the date the investigation started, the conduct and persons involved and the disposition of the investigation.
12. CDNX will advise the Commission in writing on at least a quarterly basis of all significant exemptions or waivers of corporate finance policies and provide information on the issuers involved, the nature of these waivers or exemptions and the reasons for granting these waivers or exemptions.

Regulatory Oversight

13. CDNX will be subject to the joint regulatory oversight of the ASC and the BCSC.
14. CDNX will provide any proposed changes to its by-laws, rules, policies, and other regulatory instruments to the ASC and BCSC for review and approval in accordance with the review and approval procedures established from time to time by the ASC and BCSC.
15. The existing memoranda of understanding ("MOU") respecting the oversight of CDNX by the ASC and BCSC entered into by the ASC and BCSC with the Ontario Securities Commission (OSC) and the Manitoba Securities Commission, or any successor agreements, as amended from time to time, will continue to govern the regulatory oversight of CDNX.

Corporate Governance

16. CDNX will ensure that
- a) the persons appointed to its board are individuals that provide a proper balance between the interests of the different persons using the services and facilities of CDNX; and
 - b) subject to paragraph 19, at least 50 percent of its directors are independent from CDNX and the TSE or their members and participating organizations.
17. More specifically, CDNX's corporate governance structure will provide for:
- a) fair and meaningful representation, having regard to the nature and structure of CDNX, on the board and any board or advisory committee;
 - b) appropriate representation on the board and any board or advisory committees of persons independent of CDNX, the TSE, any members or participating organizations of CDNX and any participating organizations of the TSE; and
 - c) appropriate qualification, remuneration and conflict of interest provisions and limitation of liability and indemnification protections for directors, officers and employees of CDNX generally.

18. At least 25% of the directors of CDNX will, at all times, be persons that have expertise in or are associated with the Canadian public venture capital market.
19. For purposes of making the calculation to ensure that at least 50% of the directors of CDNX are independent directors, CDNX will
 - a) on closing of the transaction, exclude the CEO and the President from both the numerator and the denominator; and
 - b) by the close of the first annual meeting of its shareholders following the closing of the transaction, exclude the CEO from the numerator and denominator and count the President and any other officer as a non-independent director.
20. By the close of the first annual meeting of its shareholders after the closing of the transaction, CDNX will amend its By-law No. 1 to give effect to the condition set out in paragraph 19 b).
21. Except as noted in paragraphs 18 to 20, CDNX will not implement any significant changes to the corporate governance structure and practices of its board, including changes to the composition and terms of reference of its board committees and advisory committees, without the prior approval of the Commission.

Access

22. CDNX's requirements will not unreasonably prohibit or limit properly registered dealers that are members of a self-regulatory organization or exchange and that satisfy CDNX's requirements for accessing the trading facilities of CDNX.
23. CDNX will not unreasonably prohibit or limit access by a person to services offered by it.
24. CDNX will maintain established written standards separate from the TSE for granting access to trading through its trading facilities.
25. CDNX will keep separate records of:
 - a) each grant of access and, for each entity granted access to its facilities, the reasons for granting access; and
 - b) each denial or limitation of access and the reasons for denying or limiting access.

Fees

26. CDNX will have a fair and appropriate process for setting fees and will determine the fees it imposes on its listed issuers, applicants for listing, members, participating organizations and other market participants.

27. These fees will
- a) be allocated on an equitable basis as among the parties noted in paragraph 26;
 - b) not have the effect of creating barriers to access; and
 - c) be fair, reasonable and appropriate.

Financial Viability

28. CDNX will have sufficient financial and other resources for the performance of its functions in a manner that is consistent with the public interest and the terms and conditions of this order.
29. CDNX will prepare annual financial statements, including note disclosure that would normally be included in audited financial statements, in accordance with Canadian GAAP and will file these statements with the Commission within 90 days of its financial year-end.

System Security, Capacity and Sustainability

30. CDNX will:
- a) make reasonable current and future capacity estimates;
 - b) conduct capacity stress tests of the critical systems on a reasonably frequent basis to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;
 - c) develop and implement reasonable procedures to review and keep current the development and testing methodology of those systems;
 - d) review the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards, and natural disasters;
 - e) establish reasonable contingency and business continuity plans;
 - f) on an annual basis, perform an independent review, in accordance with established audit procedures and standards, of its current systems technology plans and whether there are appropriate processes in place to manage the impact of change in technology on the exchange and parties interfacing with exchange systems. This will include an assessment of CDNX's controls for ensuring that each of its systems that support order entry, order routing, execution, data feeds, trade reporting and trade comparison and capacity and integrity requirements, complies with sub-paragraphs a) to e) above. Senior management will conduct a review of a report containing the recommendations and conclusions of the independent review; and

g) promptly notify the Commission of material systems failures and changes.

31. For CDNX securities listed on a system operated by the TSE, CDNX will be considered to have met the requirements set out under sub-paragraphs a) to f) of paragraph 30 if the TSE meets the equivalent requirements contained in the OSC recognition order.

Change in Operations or Ownership

32. CDNX will not cease to operate or suspend, discontinue or wind-up all or a significant portion of its operations and/or dispose of all or substantially all of its assets without
- a) providing the Commission at least six months prior notice of its intention; and
 - b) complying with any terms and conditions the Commission may impose in the public interest for the orderly discontinuance of its operations or the orderly disposition of its assets.
33. CDNX will obtain the approval of the Commission before it or the TSE completes any transaction that would result in CDNX ceasing to be controlled by the TSE.
34. CDNX will not cease to be a wholly-owned subsidiary of the TSE without CDNX
- a) providing the Commission at least three months prior notice of its intention; and
 - b) complying with any terms and conditions the Commission may impose in the public interest.

Due Process

35. In connection with giving access to its facilities, CDNX will ensure that
- a) its requirements, the limitations or conditions it imposes on access, and the decisions it makes to deny access are fair and reasonable;
 - b) the parties are given notice and an opportunity to be heard or make representations; and
 - c) it keeps a record, gives reasons and provides for appeals of its decisions.

Information Sharing

36. CDNX will share information of a regulatory nature and will otherwise co-operate with the Commission and its staff, other exchanges and self-regulatory organizations recognized in Canada, and Canadian regulatory authorities responsible for the supervision or regulation of securities, subject to the applicable privacy or other laws about the sharing of information and the protection of personal information.

Additional Information

37. CDNX will file any information required under the rules adopted to implement the alternative trading system proposal.

Commission Approval

38. When seeking the approval of the Commission under these terms and conditions, CDNX will comply with the procedures established from time to time by the Commission for the joint regulatory oversight of CDNX.