



Ontario  
Securities  
Commission

Commission des  
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de l'Ontario

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TDX 78  
CDS-OSC

July 31, 2001

Douglas M. Hyndman  
Chair  
British Columbia Securities Commission  
P.O. Box 10142, Pacific Centre  
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Stephen P. Sibold, Q.C.  
Chair  
Alberta Securities Commission  
4<sup>th</sup> Floor, 300 Fifth Avenue, S.W.  
Calgary, Alberta  
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Dear Sirs:

**Re: Continued Recognition of the Canadian Venture Exchange Inc. ("CDNX")  
Following its Acquisition by The Toronto Stock Exchange (the "TSE")**

The TSE entered into an Acquisition Agreement with CDNX dated April 30, 2001 under which the TSE will acquire all of the outstanding shares of CDNX and CDNX will become a for-profit corporation (the "Transaction"). The TSE and CDNX propose to close the Transaction on July 31, 2001.

By Recognition Order dated April 3, 2000 (the "Recognition Order"), the Ontario Securities Commission (the "OSC") recognized the TSE as a stock exchange in the Province of Ontario.

The Recognition Order requires the TSE to maintain sufficient financial resources for the proper performance of its functions as a stock exchange. Further, the TSE must notify the OSC in the event it fails to satisfy any of the liquidity measure, solvency ratio or financial leverage ratio tests outlined in Part 4 of the Recognition Order.

Part 6 of the Recognition Order also requires the TSE to meet certain requirements for each of its systems that support order entry, order routing, execution, data feeds, trade reporting and trade comparison and capacity and integrity requirements, including to promptly notify the OSC of material systems failures and changes.

Upon closing of the Transaction, the TSE will control whether CDNX can fulfill certain obligations that have been imposed or would have been imposed on CDNX by the Alberta Securities Commission and British Columbia Securities Commission as the lead regulators of CDNX (the "Lead Regulators").

Further to the Memorandum of Understanding between the Lead Regulators and the OSC dated September 18, 2000, the OSC agrees that:

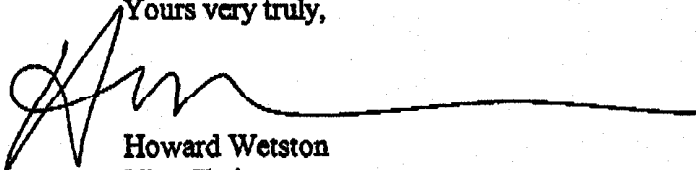
As long as the OSC recognizes and acts as the lead regulator for the TSE, the OSC has undertaken to advise the Lead Regulators of certain matters or events that occur in the operations and business of the TSE because they may have an impact on the operations and business of CDNX and the recognition of CDNX by the Lead Regulators.

For as long as the OSC recognizes and acts as the lead regulator for the TSE, the OSC will promptly advise the Lead Regulators in writing, if the OSC

- a) becomes concerned about the financial viability of the TSE;
- b) is advised by the TSE that the TSE has failed to satisfy any of the financial tests set out in the Recognition Order;
- c) is considering revoking or revokes its recognition of the TSE; or
- d) becomes aware of any impending change of control of the TSE or of an intention by the TSE to cease operations or dispose of all or substantially all of its assets.

For as long as the OSC recognizes and acts as the lead regulator for the TSE, the OSC will, immediately upon receipt of same, provide to the Lead Regulators any reports provided to the OSC by the TSE regarding the results of any tests, reviews or monitoring performed by the TSE in connection with its systems.

Yours very truly,



Howard Wetston  
Vice Chair

cc: Louyse Gauvin, BCSC  
Patricia M. Johnston, ASC  
Denise F. Hendrickson, ASC  
Ranee Pavalow, OSC