



Toronto Stock Exchange

July 30, 2001

DELIVERED BY FAX AND COURIER

Douglas M. Hyndman
Chair
British Columbia Securities Commission
P. O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia
V7Y 1L2

Dear Sir:

Continued recognition of Canadian Venture Exchange Inc. (“CDNX”) following its acquisition by The Toronto Stock Exchange Inc. (“TSE”)

The Toronto Stock Exchange Inc. (“TSE”) has seen a copy of the order of the British Columbia Securities Commission (the “Commission”) for the continued recognition of Canadian Venture Exchange Inc. (“CDNX”) as an exchange under section 24(2) of the *Securities Act* (the order). The TSE is aware that the order will become effective on the date of closing of the acquisition of CDNX by the TSE. The TSE agrees with the terms and conditions of CDNX’s continued recognition under the order.

The TSE is making the following representations, acknowledgements and undertakings to the Commission in connection with the order:

Performance of CDNX functions

1. The TSE represents that, subject to paragraph 3, it will allocate sufficient financial and other resources to CDNX to ensure that CDNX can carry out its functions in a manner that is consistent with the public interest and the terms and conditions of the order.
2. The TSE represents that it will cause CDNX to comply with the terms and conditions of the order.

3. The TSE undertakes to notify the Commission
 - a. at least six months before it voluntarily allocates financial and other resources to CDNX in a way that could reasonably be expected to have the effect of preventing CDNX from carrying out its functions in a manner that is consistent with the public interest and the terms and conditions set out in the order; and
 - b. immediately upon becoming aware that it is or will be unable to allocate sufficient financial and other resources to CDNX to ensure that it can carry out its functions in a manner that is consistent with the public interest and the terms and conditions of the order.
4. The TSE acknowledges that the Ontario Securities Commission (OSC) will promptly advise the Commission 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 the financial tests set out in the TSE recognition order issued by the OSC on April 3, 2000 (OSC recognition order); or
 - c. is considering revoking or revokes the recognition of the TSE.
5. The TSE undertakes to create an Advisory Board to the TSE Board with the mandate, composition and terms of reference set out in Schedule 2.4 of the Acquisition Agreement between the TSE and CDNX dated April 30, 2001.

Change in control or operations

6. The TSE undertakes to obtain the prior approval of the Commission before it or CDNX completes any transaction that would result in CDNX ceasing to be controlled by the TSE.
7. The TSE undertakes that CDNX will not cease to be a wholly-owned subsidiary of the TSE without the TSE

- 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.
8. The TSE will not complete any transaction that would result in CDNX ceasing to carry on business in British Columbia, discontinuing, suspending or winding-up all or a significant portion of its operations, or disposing 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.
9. The TSE acknowledges that the OSC will promptly advise the Commission in writing if the OSC becomes aware of an 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.

Systems

10. Upon transfer of CDNX listed securities to trading facilities operated by the TSE, the TSE undertakes to
- a. meet standards equivalent to those set out in sub-paragraphs a) to f) of paragraph 30 of Schedule A to the order for the trading of CDNX listed securities;
 - b. adopt procedures that do not unreasonably discriminate against CDNX listed securities;
 - c. provide the same or better market and listed company surveillance tools as were provided by the trading facilities operated by CDNX prior to the transaction;
 - d. ensure that Capital Pool Companies and inactive issuers of CDNX are specifically designated as such in any trading and market data feeds provided by CDNX or by the TSE on CDNX's behalf; and

- e. use commercially reasonable efforts to ensure that any display of trading and market data information to end-users includes the designation referred to in sub-paragraph d).

General

- 11. These representations, acknowledgements and undertakings will cease to have effect if
 - a. the Commission revokes the order; or
 - b. CDNX ceases to carry on business after complying with any terms and conditions the Commission may impose.

Yours truly,

“Barbara Stymiest”

Barbara Stymiest
President and CEO
The Toronto Stock Exchange Inc.

cc: Mr. David A. Brown (OSC)
Mr. Stephen P. Sibold (ASC)