

**ALBERTA SECURITIES COMMISSION
NOTICE**

**Continued Recognition of TSX Venture Exchange Inc., formerly the Canadian
Venture Exchange Inc.,
Following Reorganization of TSX Inc.**

July 26, 2002

Summary

The Alberta Securities Commission (the "Commission") and the British Columbia Securities Commission (the "BCSC") are publishing the application of the TSX Venture Exchange Inc. (the "Exchange") to revise its current recognition order to reflect:

- the Exchange's legal name change from the Canadian Venture Exchange Inc. to TSX Venture Exchange Inc./Bourse de croissance TSX Inc.;
- the legal name change of The Toronto Stock Exchange Inc. to TSX Inc. ("TSX");
- the proposed reorganization of TSX; and
- the arrangement by which the Exchange has retained Market Regulation Services Inc. ("RS Inc.") as its regulation services provider to provide certain regulatory functions.

TSX Reorganization

Under the proposed reorganization of TSX,

1. TSX will become a wholly owned subsidiary of a new holding company, TSX Group Inc. ("TSX Group");
2. the Exchange will continue to be a wholly owned subsidiary of TSX; and
3. TSX Group will provide corporate services, such as financial services, accounting, payroll, human resources, administration, legal and corporate information technology services, to TSX and the Exchange.

Following completion of the reorganization, TSX Group intends to conduct an initial public offering and seek a listing of its shares on the Toronto Stock Exchange, a division of TSX.

TSX and TSX Group application to the OSC

TSX is recognized by the Ontario Securities Commission (the "OSC") under a recognition order dated January 29, 2002 (the "TSX Order"). TSX and TSX Group have applied to the OSC to amend the TSX Order to provide the terms and conditions under which each of TSX and TSX Group are to be recognized as a stock exchange in Ontario and to reflect the TSX reorganization and the legal name change of TSX. The revised terms and conditions also include provisions intended to address the proposed listing of the shares of TSX Group, as well as the potential listing of shares of its competitors on the Toronto Stock Exchange.

Publication

The Commission is publishing the Exchange's joint application to the Commission and the BCSC to amend its recognition order. The Exchange's joint application includes the following documents:

1. a draft recognition order of the Exchange, with revised terms and conditions, that continues the recognition of the Exchange as an exchange in Alberta following the TSX reorganization (Schedule A to the application); and
2. a draft joint letter of undertaking from TSX and TSX Group to the Commission in support of the order (Schedule C to the application).

The BCSC is publishing a similar notice on its website at www.bcsc.bc.ca. The Exchange's application also includes the draft BCSC recognition order (Schedule B to the application) and draft joint letter of undertaking to the BCSC (Schedule D to the application).

The OSC is publishing a notice regarding the TSX and TSX Group application and related documents on its website at www.osc.gov.on.ca.

Terms of Recognition Order

The Commission issued the Exchange's original recognition order on November 26, 1999 when the Exchange was created by the merger of The Alberta Stock Exchange and the Vancouver Stock Exchange. On July 31, 2001, the Commission issued an order (Order #2001/110) for the continued recognition of the Exchange under terms and conditions that took effect when the Exchange became a for-profit corporation wholly-owned by TSX.

In response to the Exchange's application, the Commission proposes to issue a new recognition order, continuing the recognition of the Exchange on revised terms and conditions. Many of the terms and conditions will be substantially similar to those in the July 31, 2001 recognition order, for example, continuing to require that the Exchange maintain a presence in Alberta and provide specified services and functions in Calgary. However, the new recognition order will also:

- reflect that certain of the Exchange's regulation functions are provided by RS Inc., as approved by the Commission in February 2002;
- define "independent director" in the same manner as in the OSC's recognition order for TSX and TSX Group;
- include a new fitness provision for officers and directors of the Exchange;
- require the Exchange to provide audited annual financial statements and unaudited quarterly financial statements to the Commission;
- require that the Exchange handle material outsourcing of business functions to third parties in accordance with industry best practices and require that any third

- party contract implementing a material outsourcing arrangement that is likely to impact on the Exchange's regulation functions gives the Commission access to the information it needs to perform its oversight of the Exchange;
- include a provision about related party transactions to ensure that, in its dealings with TSX Group or TSX or any affiliate or associate of TSX Group or TSX, the Exchange obtains terms and conditions that are at least as favourable as market terms; and
 - include a provision under which the Exchange agrees to provide access to documents to permit compliance or regulatory reviews by the Commission.

The Commission would rely on the representations, acknowledgements and undertakings set out in the letter of undertaking from TSX and TSX Group when continuing the recognition of the Exchange under the revised terms and conditions. Please refer to Schedule C to the application for further details.

Publication

This notice is being published for information purposes. However, if you have comments on the application, the draft recognition order, or the letter of undertaking you may direct them by August 23, 2002 to:

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We will be sharing your comments with the BCSC and may share them with the OSC, the Exchange or the TSX. Consequently, we will not be able to maintain their confidentiality.