

Turning CNSX into the Nasdaq of the north



BARRY CRITCHLEY | 30/09/13 | Last Updated: 30/09/13 3:51 PM ET



Aaron Lynett/National PostNed Goodman, President and CEO, Dundee Corporation. Goodman will become CNSX Market's deputy chairman.

Nine months back, CNSX Markets Inc., the operator of the Canadian National Stock Exchange, got a major boost when publicly-listed Urbana Corp, agreed to become its largest shareholder. In a three-part transaction, Urbana, headed up by Tom Caldwell, acquired four million shares from treasury at \$0.40 a share, backed another issue to existing shareholders at the same price and agreed to buy back stock from existing shareholders: when it was all done, Urbana had a 49% stake.

Now CNSX, formed a decade back but still small, has received another major boost. Dundee Corp. the conglomerate whose interests run from investment advisory and corporate finance, energy, resources, real estate, infrastructure and most recently agriculture, has agreed to become a second major shareholder. When it finishes its investments – they will take place over time and will be made into CNSX's treasury – it will end up with a stake equal to that of Urbana, with both owning about a third.

More importantly, CNSX Markets will gain the attention of Ned Goodman, one of the legends of the financial markets. Goodman, a so-called serial entrepreneur who through the years has backed hundreds of ventures, will become the company's deputy chairman. And the former shareholder intends to be active. "Now that Tom is involved I became much more interested. I really enjoy working with him. We think alike," said Goodman.

Personal relationships aside, why get involved? Quite simply the desire to make life easier for those wanting listings, a characteristic Goodman feels is missing at present. “Stock exchanges were formed so that entrepreneurs had the ability to raise money, to build a business, and to create income for the economy. That has been forgotten. Entrepreneurs need the listing,” he said, adding the Canadian exchange industry (the TSX, the TSX-Venture and Aequitas, the entity being assembled by Royal Bank) “is more concerned that the banks get the listing.”

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He points to the U.S. experience where companies were originally deemed not good enough for a NYSE-listing, opted for Nasdaq. Now the NYSE is trying to convince those companies to come back. “We are having the same problem. I am hopeful that what we are creating is the Canadian version of Nasdaq,” said Goodman.

And as befits the involvement of both and Dundee, the exchange has given itself a new slogan: the exchange for entrepreneurs.

Caldwell, who like Goodman can be viewed as an outsider, is pleased to have Dundee as a shareholder and Goodman as a director. “We have the same thought process. There is a problem with new enterprises in Canada not having efficient access to the capital markets,” he declared.

The problem: the independent dealers (whose role and influence has been reduced by bad markets and what Caldwell calls “regulatory strangulation,”) finance small companies. “Banks don’t finance new enterprises,” noted Caldwell, adding that some of the investments being financed are risky. (But large caps are also risky: Consider Nortel Networks a dozen years back or Barrick Gold over the past few years.)

Accordingly there is a void – and an opportunity for a market like the CNSX which is now home to more than 200 issuers and which offers simple and low-cost listing.

“With the CNSX, we are trying to build an exchange for entrepreneurs, to simplify the process and get the costs down. We can’t change the Securities Act but in the areas we are involved in we can make a difference. And there is a screaming need for that,” said Caldwell.

Financial Post