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Ned Goodman aims to boost CNSX exchange as alternative to TSX

By Peter Koven

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Ned Goodman has felt for years that the Toronto Stock Exchange and its venture counterpart are failing entrepreneurs. Now the chief executive of Dundee Corp. is doing something about it.

Mr. Goodman, 75, has acquired a third of CNSX Markets Inc., which operates the Canadian National Stock Exchange (CNSX) and Pure Trading, and joined its board as deputy chairman. He is teaming up with Tom Caldwell, a veteran investor in stock exchanges, to promote the CNSX as a viable alternative to the TSX. The dollar value of the deal was not disclosed.

His view is that it has become too expensive, time-consuming and burdensome for start-up companies to raise small amounts of money on the TSX. They can face absurd legal bills to get a deal done, he said in an interview.

"Virtually ever issuer on the Venture exchange is not happy with it," he said. "Once we get one or two companies [to switch to the CNSX], lots will follow."

The move comes as small-cap resource companies, a group that Mr. Goodman knows well, have fallen completely out of favour with investors. They are struggling to raise money or generate any trading in their stocks on the Venture exchange.

His challenge is to convince them that things will be any better on the CNSX, a tiny player in this business.

Mr. Goodman believes banks make for poor owners of stock exchanges, as they are worried about strict compliance issues and are out of touch with the needs of start-up entrepreneurs.

"What an exchange does is bring together people who have ideas with people who have money to invest. We're 100 miles from that fundamental right now," said Mr. Caldwell, the chairman of Urbana Corp. Urbana, which invested in the CNSX last year, holds a 33% stake in the exchange. It owned 49% prior to Mr. Goodman's investment.

The CNSX was founded in 2001 and has been a recognized stock exchange since 2004. It charges a flat fee of $12,500 for a listing and then $500 a month after that. The TSX Venture Exchange has listing fees of between $7,500 and $40,000.

But the CNSX argues the main reason it is a better deal is the associated costs rather than the direct exchange fees.

The difference is in the regulation model. The CNSX demands more continuous disclosure from issuers than the TSX, and much less back-and-forth with the exchange over the release of public documents.

"We get a higher level of disclosure from the companies so that the market can make a decision, rather than someone in the office at York and King Street," said Richard Carleton, CEO of the CNSX.

He said the associated legal costs of dealing with TSX staff are often enormous, which can be crippling for a junior company. He suggested that the starting price of a transaction on the CNSX is about a sixth of the price of one on the TSX.

But the CNSX has a very long way to go to become a serious player in this business. The exchange recently got its 200th issuer; by comparison, the TSX Venture has 2,170.

Mr. Carleton said a growing percentage of companies coming to market in Canada are choosing his exchange. It has topped 25% in some months, he said.

He hopes the endorsement from Mr. Goodman, a lifelong entrepreneur who has started many junior companies, will boost the exchange's profile. The CNSX also hopes to use his investment to provide more business opportunities for companies on the exchange.

Mr. Goodman is already involved with the CNSX through a tiny company called Eurogas International Inc. The Venture exchange refused to list it.