

TSX venture
EXCHANGE



CAPITAL POOL COMPANY[®] PROGRAM



TSX VENTURE EXCHANGE

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> ARE YOU READY TO GO PUBLIC?

Entrepreneurship is flourishing in Canada. TSX Venture Exchange is home to many emerging Canadian businesses, providing listed issuers with access to capital and offering investors a venture investment market with comprehensive compliance standards.

Across the country, many ambitious private companies in a wide range of industries are preparing to accelerate their growth by “going public”. For some, the traditional Initial Public Offering (IPO) makes sense. For others, the Capital Pool Company (CPC) program provides an alternative – a two-step introduction to the capital markets.

> WHAT IS THE CPC PROGRAM?

The CPC program introduces investors with financial market experience to entrepreneurs whose development stage companies require capital and public company management expertise. Unlike a traditional IPO, the CPC program enables seasoned directors and officers to form a Capital Pool Company with no assets other than cash and no commercial operations, list it on TSX Venture Exchange, and raise a pool of capital. The CPC then uses these funds to seek out an investment opportunity in a growing business. Once the CPC has completed its “qualifying transaction” and acquired an operating company which meets Exchange listing requirements, its shares continue trading as a regular listing on the Exchange.



FACTS AND STATS 2004

- > **\$76.5 million** raised by CPCs
- > **87** CPCs listed on TSX Venture Exchange
- > **33%** of TSX Venture Exchange graduates to Toronto Stock Exchange were former CPC issuers

WANTED: EXPERIENCED INVESTORS. Are you a private investor with significant experience working with junior public companies as a director or officer? Are you prepared to commit capital to a venture that enables you to ride the growth curve with a promising privately held company as it enters the public company world? Have you assembled a team of like-minded investors with the qualifications necessary to identify, investigate and acquire a privately held business? Then you are an ideal CPC candidate.

HOW IT WORKS

CREATING THE CPC >

Three to six individuals with an appropriate combination of business and public company experience put up a minimum of \$100,000 in seed capital.

These founders incorporate a shell company – the Capital Pool Company (CPC) – and issue shares in exchange for seed capital at a minimum price between the greater of \$0.05 and 50% of the price at which the shares are to be sold.

The CPC and its advisors prepare a prospectus that outlines management’s intention to raise between \$200,000 and \$1,900,000 by selling CPC shares at typically twice the issuance price of the seed shares, and to use the proceeds to identify and evaluate potential acquisitions.

SELLING THE SHARES >

The CPC files the prospectus with the appropriate securities commission(s), and applies for listing on TSX Venture Exchange.

The broker sells the CPC shares, pursuant to the prospectus, to at least 200 arm’s length shareholders, each of whom buys at least 1,000 shares. No one purchaser can purchase more than 2% of the offering, and no one purchaser together with his, her, or its associates or affiliates can purchase more than 4% of the offering.

Once the distribution has been completed and closed, the CPC is listed for trading on TSX Venture Exchange.

ANNOUNCING THE ACQUISITION >

Within 24 months, the CPC identifies an appropriate business as its “qualifying transaction” and issues a news release to announce that it has entered an agreement in principle to acquire the business.

The CPC prepares a draft information circular or filing statement providing prospectus level disclosure on the business that is to be acquired.

TSX Venture reviews the information circular and evaluates the business to ensure that it meets minimum listing requirements.

PREPARING FOR THE VOTE >

Where shareholder approval is required, the approved information circular is mailed to the CPC’s shareholders, who vote at a shareholders’ meeting on whether to approve the qualifying transaction.

Following shareholder approval, the qualifying transaction closes and the business is acquired.

Where shareholder approval is not required, the filing statement is posted on SEDAR for at least seven business days, after which, the qualifying transaction closes and the business is acquired.



> WHAT ARE THE BENEFITS?

TSX Venture created the CPC program because it understands the needs of junior companies with going public and raising capital. The CPC program offers a public vehicle that makes sense for many companies and their investors. In particular, the CPC program:

- > provides an efficient and economical way to list a company on TSX Venture Exchange.
- > enables companies to raise funds to cover the cost of due diligence and going public.
- > offers liquidity and visibility to seed and private company investors.
- > generates a clean public vehicle that may be an attractive takeover option for a private company.
- > incorporates regulatory safeguards that help protect all parties throughout the CPC process.
- > fosters an attractive environment for risk-tolerant investors from the general public to promote the formation of capital.
- > offers the opportunity for an entrepreneur to maintain greater control of their company and the process.
- > provides access to seasoned management and financiers for a private company.
- > adds an element of certainty to the private company in the going public process.

With a successful history dating back to 1987, the CPC program has enabled over 1,287 acquired businesses to list on TSX Venture Exchange. As of December 2004, over 187 former CPCs have graduated to senior stock exchanges.

> HOW DOES THE CPC PROGRAM COMPARE TO AN IPO?

The CPC program gives emerging businesses a foothold on TSX Venture Exchange and access to public financing when a traditional IPO is not the preferred route. It's a flexible, straightforward solution for smaller companies which are anxious to take the underwriting risk of an IPO out of the equation. And it enables a CPC with a focused vision to build momentum, raising capital for the purpose of identifying a qualifying transaction, and ultimately obtaining a full listing on the Exchange.

> TAKE THE NEXT STEP.

If you're a private investor or entrepreneur who is considering using the CPC program for your next venture, schedule a meeting with TSX Venture's CPC experts. We've been guiding companies through the CPC process for 15 years, and can provide valuable tips that will get you off to a strong start.

If you're an entrepreneur interested in finding out which CPCs are currently looking for qualifying transactions, e-mail businessdevelopment@tsxventure.com or call us at 1 (800) 206-7242. Our listed issuer service professionals have in-depth knowledge of the financing opportunities available to junior companies.

WANTED: AMBITIOUS ENTREPRENEURS. Are you an entrepreneur with proven business acumen and a solid management team? Is your company looking for an experienced independent financier to take an equity stake in your company and lead you towards a successful public listing? Would you benefit from a proven process and program framework that provides an alternative to the conventional IPO route? Then the CPC program could be right for you and your business.



WE'RE HERE TO HELP. At TSX Venture, we understand the needs of entrepreneurs and their emerging businesses. We've helped hundreds of companies access early stage financing through the Capital Pool Company program. Now you can put our expertise to work for you. Contact a TSX Venture office in Vancouver, Calgary, Winnipeg, Toronto or Montreal and tell them you're ready to go public. www.tsx.com information@tsxventure.com



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