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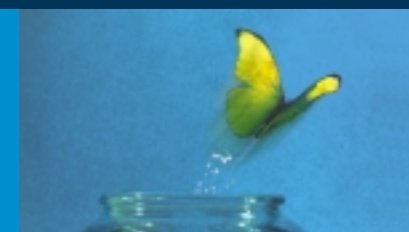
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C A P I T A L P O O L
C O M P A N Y P R O G R A M



C A N A D I A N V E N T U R E E X C H A N G E



When financial services technology firm EZENET Corp. was a private company and needed to raise capital for its next phase of growth, it originally eyed a senior stock exchange. “At that time, we weren’t trying to raise large amounts of money,” says Terry Rogers, Vice-President of Business

Development. While senior exchange financiers where interested in EZENETS’s story, the amount it was seeking fell under their usual radar screens. That’s when EZENET turned to an innovative program unique to Canada’s venture exchange market — The Capital Pool

Company (CPC) program. It allowed EZENET to go public in an efficient and cost-effective manner. “The process was well defined, the rules were well defined, and the people at CDNX who shepherd the paperwork through were well informed of all the rules and made it relatively simple to go through the process”.

CAPITAL POOL COMPANY PROGRAM

CDNX is unique as Canada’s national public venture exchange. With CDNX, early-stage businesses get the opportunity to gain visibility and a solid foothold in public markets as they grow and work towards senior exchanges.

CDNX’s Capital Pool Company (CPC) program offers an innovative listing opportunity that brings experienced management teams together with companies in need of capital and management expertise. Since the program began in 1987, over \$369 million in venture capital has been raised for qualified emerging companies.

TWO PHASES OF THE CPC PROGRAM

- 1: A shell corporation, called a Capital Pool Company, is created through an initial public offering on CDNX. The nature of its business is to find and acquire a promising company or asset and its treasury is funded expressly for the search and due diligence process.
- 2: The CPC completes a qualifying transaction by acquiring a company or asset within 18 months of listing on CDNX. For this private company, the innovative CPC program reduces the time and expense associated with going public.

ADVANTAGES OF A CPC

By providing an efficient means to get in on the ground floor of early-stage ventures, CPCs have proven popular with risk-tolerant investors. There were 129 capital pools formed in 2000, raising almost \$40 million in equity financings. For entrepreneurs and investors the CPC program makes good business sense. The program:

- Brings together development stage companies with experienced management teams that have extensive financial market experience.

- Creates a quick, efficient and economical way to list a company on CDNX.
- Raises funds to cover the cost of due diligence and going public.
- Provides liquidity and visibility to seed investors.
- Clean shell of an IPO provides an attractive takeover option for a private company.

CPCs AT A GLANCE

- Directors have a successful history with public companies and their expertise is considered the company’s key asset.
- Directors and officers contribute between \$100,000 and \$500,000 to start the process.
- A minimum of 300 public shareholders each holding at least 500 shares, priced at no greater than 30 cents per share. There is a maximum purchase of two per cent per shareholder (four per cent per family).
- The initial public offering raises between \$200,000 and \$500,000, with a minimum of one million shares sold to the public.
- The proceeds from seed financing and the IPO are used to identify and evaluate an asset or business.

While searching for a suitable business or asset, the Capital Pool Company trades on CDNX. Once a potential acquisition is identified, the CPC issues a comprehensive news release and prepares an information circular on the qualifying transaction. After CDNX reviews these and other supporting documents, the CPC receives conditional acceptance. The information circular is mailed, a shareholders meeting takes place and, if shareholder approval is received, the qualifying transaction is closed. The Capital Pool Company is then transformed into a regular listed company.

CPC INVESTING SAFEGUARDS

The CPC program offers emerging companies and risk-tolerant investors a rare combination of opportunity and regulation, overseen by experienced staff. CPC safeguards include:

- Directors of a CPC must meet stringent guidelines and have a clean regulatory background. Canadian residents or individuals who have demonstrated a positive association with Canadian or American public companies are eligible to be directors, officers or insiders of a CPC.
- Independent directors of a CPC assess and approve the qualifying transaction, adding confidence to the investing experience.
- Agents are prohibited from purchasing seed and IPO shares and there are restrictions on related party payments.
- Seed shares and securities of the main shareholders are placed in escrow until CDNX listing and valuation requirements are met.
- All disclosure documents are publicly filed.

As an added check-and-balance, a CDNX member firm sponsors the I.P.O. The member sponsor carries out the necessary due diligence to bring the CPC public on CDNX, minimizing risk for investors and increasing the chances of success for the CPC.

WHAT SECTORS USE CPCs?

Technology	40%
Oil & Gas	12%
Business/Financial Services	11%
Media	8%
Real Estate	7%
Mining	5%
Other	17%
(Year 2000 qualifying transactions by industry)	

SAMPLE CPC GRADUATES

- **EZENET Corp.:** One-year market cap growth 256 per cent, share price increase 105 per cent.
- **ACD Systems International Inc.:** One-year market cap growth 3,068 per cent, share price increase 594 per cent.
- **Allied Oil & Gas Corp.:** One-year market cap growth 810 per cent, share price increase 70 per cent.
- **Patriot Equities Corporation:** One-year market cap growth 40 per cent, share price increase 879 per cent.

CPC FACTS & FIGURES

- 1,236 CPCs have listed since the program began in 1987.
- Former CPC companies have raised more than \$3 billion in equity since 1987.
- 981 CPCs have completed a qualifying transaction since 1987.
- 129 new CPCs were listed in 2000, raising nearly \$40 million.
- 129 former CPCs are now listed on senior exchanges.
- 24 per cent of CDNX companies that graduated to the TSE in 2000 are former CPC issuers.

HOW YOU CAN PARTICIPATE IN THE CPC EXPERIENCE

Contact the CDNX Business Development department in your region for more information:

Calgary: (403) 974-7400; 1-877-884-CDNX

Toronto: (416) 367-2369; 1-877-421-CDNX

Vancouver: (604) 689-3334; 1-877-883-CDNX

Winnipeg: (204) 927-2369; 1-877-422-CDNX

For a current inventory of listed and trading Capital Pool Companies in the process of identifying and evaluating viable acquisition opportunities, call 1-877-CDNX-4VC or e-mail businessdevelopment@cdnx.com.