

GOING PUBLIC
ON CDN X



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WELCOME TO CDNX

To succeed, emerging companies need one thing—an opportunity to grow. That’s where you’ll find CDNX, providing Canadian companies with the early stepping stones in their corporate lifecycle.

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

For the right company, listing on CDNX makes good business sense.

- Companies access financings from \$500,000 to \$20 million.
- CDNX-listed companies raised \$2.37 billion in equity financing in 2000.
- Products and services specifically designed to meet the needs of early-stage companies are offered by CDNX.
- Start-up companies gain national exposure through CDNX.
- Companies not only raise capital, but are also given the opportunity to learn how to manage their businesses under the public company regulatory and governance framework before they move to senior markets.

CDNX Business Development Executives work closely with emerging companies to help them enter public markets. Working with the CDNX team can also result in introductions to local lawyers, accountants and other consultants who have successfully brought companies to the CDNX market.

As emerging companies grow and gain financial strength, they move from Tier 2 to the more senior Tier 1 on CDNX. Tier 1 companies can then graduate to senior markets in search of mid-to-large cap financing. Having leveraged early-stage financing into a listing on the TSE or NASDAQ, their achievement is a testimony to CDNX’s success.

This guide provides an overview of the going public process on CDNX to help you decide if your business is ready to go public. After reading through this brochure and working through the questions, contact CDNX or a member firm to discuss how going public can benefit your company.

BENEFITS OF GOING PUBLIC

The decision to go public can be key in the life of a company. The reasons are varied, however, companies usually go public when they need to obtain equity financing to further their growth.

Other advantages include:

ACCESS TO GREATER SOURCES OF CAPITAL

The issue of public shares can bring considerable capital to a company to fund special projects and future growth, while expanding its investor base. The company can also pursue additional capital through future secondary equity financings. As well, public companies often receive more favourable terms when borrowing from financial institutions.

PRESTIGE AND MARKET EXPOSURE

Going public generally enhances a company's visibility and profile. Greater public awareness through the media, publicly filed documents and stock analysis may give a company greater credibility. A more diversified group of investors can become acquainted with the company, increasing demand for shares and the company's value.

MARKET FOR EXISTING SHAREHOLDERS

Becoming a public company establishes a market for the company's shares. As a result, investors have an efficient way to trade their shares in a regulated environment. Greater liquidity in the public market translates into better pricing for their shares than through a private transaction.

REWARDING MANAGEMENT AND EMPLOYEES

By issuing share options, the company can compensate employees without depleting cash reserves. This ensures stronger employee commitment to the company's performance and success because they have a vested financial interest. Share options are also becoming a major employee recruitment incentive. As a public company, options have an immediate and tangible value to employees.

FACILITATING GROWTH

A public company's growth through mergers and acquisitions can be financed using shares rather than cash reserves to acquire target companies.

CONSEQUENCES OF GOING PUBLIC

There are significant consequences of going public that should be considered before you proceed.

PUBLIC DISCLOSURE

A public company is subject to timely, continuous reporting requirements that include:

- Financial results of the company's operations;
- Executive compensation;
- Share transactions of insiders; and
- Material corporate changes.

Public disclosure is beneficial, as it encourages efficient management and communicates the success of the company to shareholders and the public.

BOARD OF DIRECTORS ENHANCED RESPONSIBILITY

The board of directors has a larger profile in a public company as they become responsible for disclosing information to a larger number of public shareholders. Directors are accountable to the shareholders and must act in their best interest.

Members of the board can offer advice relating to broader issues and long-term goals. They can serve as a good balance to the company's management and lend credibility to the company.

RESTRICTIONS ON SHARE DISPOSAL

In an initial public offering, shareholders who hold a significant number of the seed shares in the company must retain some or all of their shares. These shares are held in escrow, which means they may not be sold for a specified period of time (between 18 months and six years depending on the company).

TAX CONSIDERATIONS

Once a company goes public it may lose certain tax advantages. The company's advisor should provide comprehensive tax advice before a decision to go public is made.

MANAGEMENT STYLE

The management style should be considered because of the special constraints and obligations on the management of a public company. Corporate decisions must be fair and in the best interests of all shareholders. Decisions are also subject to public, shareholder and regulatory scrutiny.

OWNERSHIP OF A PUBLIC COMPANY

Management should carefully consider the degree of control they wish to retain. When a company goes public, a minimum 20 per cent of shares must be publicly owned. This allows management to retain up to 80 per cent ownership of the publicly-held company.

IS THE COMPANY READY TO LIST?

The company may be ready if it has a:

- ☐ Strong management team;
- ☐ Viable product;
- ☐ Expanding market;
- ☐ Competitive advantage;
- ☐ Solid business plan;
- ☐ Sound financial plan; and,
- ☐ Strategic marketing plan.

The company could also be at the development stage having cleared technological, marketing and manufacturing hurdles, but has yet to show a profit. For example, resource companies with identified prospects and a need for capital are prime candidates for a public offering. CDNX will work with a company to determine if it is at the right stage to approach the public markets.

Some questions to determine a company's readiness include:

1. **Financing:**

- ☐ Has it raised sufficient seed capital?
- ☐ Has management invested their own money?
- ☐ Have all alternative financing sources been explored and/or exhausted?
- ☐ Does the company need public financing for its growth strategy?

2. **Management:**

- ☐ Are the key management positions filled?
- ☐ Is the management team experienced and balanced, with at least one senior executive that has a proven record in managing public companies?

3. **Business Plan:**

- ☐ Is there a well-developed business plan that identifies potential revenue and income and the resources necessary to sustain success?

4. **Growth Potential:**

- ☐ Is the market size for the company's product or service greater than \$100 million and characterized by rapid growth?
- ☐ Has the company started earning revenues or is it close to commercializing its product with an early indication of market acceptance?

A company can further determine if this is the right time to go public using CDNX's PREP program. The PREP program provides the necessary tools to support the emerging company, including comprehensive listing information on the CDNX Web site and support from Business Development Executives, Corporate Finance Analysts and CDNX Member Firms.

THREE WAYS TO LIST

Emerging companies have different financial needs and pressures than more established businesses. CDNX simplifies the process of raising capital for qualified emerging companies by offering three ways to go public:

1. Initial public offering (IPO);
2. Capital Pool Company (CPC); or,
3. Reverse takeover (RTO).

CDNX also offers a direct listing option to companies that are already listed on another exchange. The company's directors, in consultation with its advisors, should determine the most appropriate listing method.

INITIAL PUBLIC OFFERING

An initial public offering (IPO) is the traditional way to obtain a listing on a stock exchange. In an IPO, the company completes an application for listing and prepares a prospectus that is filed with the securities commission(s). The prospectus provides shareholders with all the detailed information they need to make an informed investment decision.

For further information, please see CDNX Policy 2.3 – Listing Procedures on the CDNX Web site at www.cdnx.com.

CAPITAL POOL COMPANY

Exclusive to CDNX, the Capital Pool Company (CPC) program offers a unique listing opportunity that brings an experienced management team together with a company in need of capital and management expertise.

There are 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 their business is to find and acquire a promising company or asset and their treasuries are funded expressly for the search and due diligence process.
2. The company 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.

Capital Pools are required to acquire a suitable company or asset within 18 months of listing on CDNX. This qualifying transaction is the company's first major financing and represents the final stage of a Capital Pool. Following a successful qualifying transaction, the Capital Pool becomes a regular listed company.

For further information please refer to CDNX Policy 2.4 – Capital Pool Companies.

THREE WAYS TO LIST

REVERSE TAKEOVER

Another listing option is a reverse takeover (RTO) of an existing CDNX-listed company. This can be accomplished in a number of ways, including an amalgamation or issuing shares for other shares or assets. In effect, this transaction permits private company shareholders to buy a listed company, or shell, that has no substantial business activity. Finding a suitable RTO candidate requires the assistance of the company's sponsor, lawyer and auditor.

For further information please refer to CDNX Policy 5.2 – Changes of Business and Reverse Takeovers.

DIRECT LISTING OPTION

CDNX offers a direct listing option to companies already listed on another exchange. If the company meets CDNX minimum listing requirements, it may not be required to file a prospectus. Please contact a CDNX Business Development Executive for more information.

PRE-LISTING MATTERS

MEMBER SPONSORSHIP

Every company seeking a listing on CDNX must have its application sponsored by a member firm. There are more than 65 CDNX member firms across Canada, each with a particular focus and expertise in the venture capital marketplace. A current list of CDNX member firms is available on the CDNX Web site at www.cdnx.com and on pages 24 to 26 of this workbook.

Sponsoring members play an essential role in the listing process, providing a broad perspective of the company's suitability for going public. The sponsor takes into account CDNX guidelines regarding:

- Directors and management.
- Integrity of supplied financial information.
- Suitability of a company's business for public listing.

The sponsoring member also helps determine the most appropriate way for a company to go public—through an initial public offering, Capital Pool Company or reverse takeover.

For further information on member sponsorship please see CDNX Policy 2.2 – Sponsorship.

PROFESSIONAL ADVISORS

The process of going public is complex. In addition to a CDNX member sponsor, the company needs a team of other professional advisors that includes a:

- Securities lawyer.
- External auditor.
- Investor relations (IR) professional.

Lawyers and auditors ensure the listing documents are accurate and meet all regulatory requirements. It is important to choose firms with extensive experience in bringing companies public that are at a comparable size, stage of development and industry.

An investor relations professional increases public awareness of the company through communications activities directed at existing and prospective shareholders. The IR function can be filled by a firm, an employee or a contractor. Specific responsibilities include keeping shareholders informed, producing the annual report and arranging the annual general meeting.

Criteria for selecting professional advisors includes:

- ☐ Specialization in public companies and securities experience.
- ☐ Experience in the industry.
- ☐ Research capability and financial market advice.
- ☐ Knowledge of CDNX policies and securities commission requirements.
- ☐ Trust and a good rapport between company management and professional advisors.

See page 20 for a list of questions to help find prospective advisors that best meet the company's needs.

PRE-LISTING MATTERS

FILING A PROSPECTUS

The prospectus is a critical document in the going public process. It provides investors with the essential information they need to make an informed investment decision. Successful completion of a prospectus requires the co-operation of management, legal counsel, auditors, the securities commission and CDNX.

Filing a prospectus is a five-step process:

1. The company files a preliminary prospectus with the securities commission in its home province, CDNX and with securities commissions in other jurisdictions where shares will be sold.
2. The regulatory authorities review the prospectus and advise the company and its professional advisors of any deficiencies.
3. After all the deficiencies are cleared to the satisfaction of the regulators, the company files an amended prospectus in final form.
4. The securities commission issues a final receipt as acceptance of the prospectus.
5. This is essentially approval for the company to begin selling shares in jurisdictions where a final receipt has been issued.

The degree of detail in the prospectus is very high, as the securities commissions require full, true and plain disclosure.

The prospectus includes:

- ☐ History of the company and description of operations.
- ☐ Current audited financial statements.
- ☐ The business plan.
- ☐ Use of proceeds, particulars of any major assets to be acquired and prospects to be developed.
- ☐ Description of officers, directors and major shareholders.
- ☐ Details of shares held in escrow.

BUSINESS PLAN TEMPLATE

While a sound business model and innovative product are necessary, the business plan is essential to convince investors that the company is a good investment choice. The business plan is a written summary of what the business intends to accomplish and how resources will be allocated to meet those goals. For sample business plans, refer to the Canada/British Columbia Business Service Centre at www.sb.gov.bc.ca.

A TIERED MARKET

CDNX offers a flexible, two-tiered system. The distinct tiers each have minimum listing requirements based on financial performance, resources, and stage of development. The industry segments within in each tier recognize the different financial and operating needs of companies operating in the various sectors.

Tier 1 is the senior CDNX tier. It is reserved for CDNX's advanced issuers — those companies with the most significant resources. Based on past and present performance, Tier 1 issuers are entitled to decreased filing requirements.

Tier 2 represents innovative, early stage companies — a rapidly growing segment of the venture market in all industry sectors. Most CDNX listed companies trade on Tier 2.

Companies may graduate from Tier 2 to Tier 1 once Tier 1 minimum listing requirements are met. Generally, the company applies to CDNX for graduation to the senior tier. Likewise, Tier 1 companies will be moved to Tier 2 if they cannot maintain tier requirements.

COMPANY CLASSIFICATIONS

CDNX divides Tier 1 and Tier 2 companies by industry segment and applies specific requirements to each. Each company is placed into one of the following segments:

- Mining.
- Oil & gas.
- Technology or industrial.
- Research and development.
- Real estate or investment.

Each industry segment is further divided into categories. The following pages provide an overview of listing requirements for each segment and category.

MINIMUM LISTING REQUIREMENTS

Like other stock exchanges, CDNX has a number of minimum requirements that must be met by all companies applying for listing. Companies must also have directors, officers and a corporate governance structure that comply with CDNX requirements.

CDNX requirements are specifically designed for emerging companies, recognizing that they have different financial needs and pressures than more established businesses. The minimum listing requirements set standards for the size and quality of listed companies, resulting in a credible market that encourages investor participation.

Tier 1 Minimum Listing Requirements

	Mining	Oil & Gas	Technology or Industrial	Research and Development	Real Estate or Investment
Net Tangible Assets	Category 1: \$2,000,000 Category 2: No requirement	No requirement	Category 1: \$1,000,000 Category 2: \$5,000,000 Category 3: No requirement	\$5,000,000	\$5,000,000
Property or Reserves	Category 1: Significant interest in advanced exploration property Category 2: Significant interest in a property with proven or probable reserves for a three year mine life	\$2,000,000 proven reserves	No requirement	No requirement	No requirement
Prior Expenditures	No requirement	No requirement	No requirement	\$1,000,000	No requirement
Recommended Work Program	Category 1: \$500,000 on the advanced exploration property Category 2: No requirement	No requirement	No requirement	\$1,000,000	No requirement
Working Capital and Financial Resources	Category 1: 18 months G&A, 18 months property payments and \$100,000 Category 2: 18 months G&A and \$100,000	\$500,000	Categories 1 & 3: 18 months Category 2: 18 months plus \$100,000	18 months plus \$100,000	18 months
Pre-Tax Earnings	No requirement	No requirement	Category 1: \$100,000 Category 2: No requirement Category 3: \$200,000	No requirement	No requirement

MINIMUM LISTING REQUIREMENTS

Tier 1 Minimum Listing Requirements (continued)

	Mining	Oil & Gas	Technology or Industrial	Research and Development	Real Estate or Investment
Distribution, Market Capitalization and Float	\$1,000,000 publicly held 1,000,000 free trading public shares 300 public holders with board lots 20% of issued and outstanding shares in the hands of the public				
Reports Required	Category 1: Geological Category 2: Bankable feasibility study and sponsor	Geological and sponsor	Sponsor	Human or technological benefits and sponsor	Sponsor Investment issuers also need an investment strategy

"G&A" means general and administrative expenses.

"Principal properties" means any other properties of the issuer in respect of which 20% or more of the available funds will be spent in the next 18 months.

CDNX Policy 2.1 provides more detailed information on minimum listing requirements.

MINIMUM LISTING REQUIREMENTS

Tier 2 Minimum Listing Requirements

	Mining	Oil & Gas	Technology or Industrial	Research and Development	Real Estate or Investment
Net Tangible Assets	No requirement	No requirement	Category 1: \$500,000 Category 2: \$750,000 Category 3: \$750,000	\$750,000	\$2,000,000
Property or Reserves	Satisfactory interest in qualifying property	Category 1: \$500,000 proven reserves Category 2: \$750,000 proven/probable reserves Category 3: No requirement	No requirement	No requirement	No requirement
Prior Expenditures	\$100,000 on the qualifying property in last 12 months	No requirement	Category 1 & 2: No requirement Category 3: \$250,000	\$500,000	No requirement
Recommended Work Program	\$200,000 on the qualifying property as recommended by geological report	Category 1: No requirement Category 2: \$300,000 Category 3: \$1,500,000	No requirement	\$500,000	No requirement
Working Capital and Financial Resources	Work program, 12 months G&A, 12 months property payments and \$100,000 unallocated	Category 1: 12 months Categories 2 & 3: Work program, 12 months G&A, 12 months property payments and \$100,000 unallocated	Category 1: 12 months Category 2: 12 months and \$100,000 unallocated Category 3: 12 months and \$100,000 unallocated	Work program, 12 months G&A and \$100,000 unallocated	12 months

MINIMUM LISTING REQUIREMENTS

Tier 2 Minimum Listing Requirements (continued)

	Mining	Oil & Gas	Technology or Industrial	Research and Development	Real Estate or Investment
Earnings or Revenue	No requirement	No requirement	Category 1: \$50,000 pre-tax earnings in last year or in last two of three Category 2: \$250,000 operating revenue Category 3: No requirement	No requirement	No requirement
Distribution, Market Capitalization and Float	500,000 public free trading shares \$500,000 publicly held 300 public holders with board lots 20% issued and outstanding shares in the hands of the public				
Other Criteria	Geological and sponsor report	Geological and sponsor report	Category 1: Sponsor report Category 2: Two-year management plan and sponsor report. Category 3: Two-year management plan, sponsor report, working prototype of industrial product or satisfactory testing	Human or technological benefits study and sponsor report	Investment issuers must have a publicly disclosed investment policy and strategy and sponsor report is required

"G&A" means general and administrative expenses.

"Principal properties" means any other properties of the issuer in respect of which 20% or more of the available funds will be spent in the next 18 months.

CDNX Policy 2.1 provides more detailed information on minimum listing requirements.

MINIMUM LISTING REQUIREMENTS

ONGOING REQUIREMENTS

Companies must continue to meet a set of minimum standards, called tier maintenance requirements (TMR), to remain listed on CDNX. TMR relates to the company's financial situation, activity and shareholder distribution.

Once a company becomes listed on CDNX, it is a "reporting issuer" and the Securities Act imposes periodic reporting requirements and disclosure obligations. Reporting issuers must provide shareholders with meaningful information regarding the business, management, operations and financial position of the company.

For further information, please refer to CDNX Policy 3.2 – Filing Requirements and Continuous Disclosure.

COSTS OF GOING PUBLIC

The exact cost to go public is difficult to determine as each company and listing is unique. Costs depend on the number of shares being listed, the complexity of the offering and the availability and currency of supporting documentation, such as financial statements, appraisals and expert reports. Costs are usually significant and most fees would not be reimbursed if the going public process was unsuccessful. However, certain costs, such as the broker/investment dealer's commission, are only incurred once the funding has been secured.

CDNX FEES

Filing an application for listing on CDNX costs between \$6,000 and \$12,000, with an annual sustaining fee payable after the first year. Various transactions, such as property acquisitions, public offerings and private placements undertaken by a listed company, require additional filing fees.

SECURITIES COMMISSION FEES

Securities commissions charge administrative fees of about \$1,000 to cover the prospectus filing. An additional fee of 0.025 per cent of gross proceeds is charged once the proceeds are received. Extra filings incur costs of between \$250 and \$1,000. Fees vary by province, so check with the local securities commission or your legal counsel to confirm.

SPONSORSHIP FEES

The member sponsorship fee covers the cost of conducting due diligence to ensure the company meets CDNX listing requirements. Unless the listing applicant clearly qualifies for Tier 1, the member must perform an assessment of the company's business plan, and a specialist will be required if the business involves unproven or unique technology. These due diligence processes will result in additional costs for the company.

For an IPO or CPC, member sponsorship fees range between \$8,000 and \$12,000. Fees for an RTO can be as high as \$50,000 because of the increased due diligence that is required. The company will also pay the sponsor a commission of about 10 per cent of the shares sold, although this will be higher if foreign companies are involved.

INVESTMENT DEALER FEES

The investment dealer selling the company's securities will charge a sales commission of about 10 per cent of the value of the securities sold. These sales commissions are paid out of the offering proceeds, and accordingly represent costs to the company only if the financing being undertaken on the company's behalf is successful.

In addition, the investment dealer structuring and leading a company's financing may charge a corporate finance fee, although this is usually combined with the sponsorship fees listed above.

COSTS OF GOING PUBLIC

PROFESSIONAL FEES

Audit costs vary dramatically depending on the complexity of a company, the state of its accounting records and its financial position. The cost of auditing an operating company for the first time may be considerable—ranging from \$12,000 to \$80,000 for an IPO, CPC or RTO. There may also be additional auditing costs associated with going public, such as comfort letters.

Legal counsel must conduct due diligence to help management ensure full, true and plain disclosure of all material facts. Legal costs associated with going public will vary depending on the quality and quantity of documentation prepared by the company and the complexity of the business. U.S.-based companies or certain types of businesses will likely incur higher legal fees.

Legal fees for a Canadian company listing on CDNX through an IPO generally range between \$20,000 and \$35,000. Legal fees can reach \$60,000 for companies listing through a CPC or RTO because the due diligence is conducted on two separate companies.

It is not uncommon for the company's corporate secretary or chief financial officer to prepare a draft prospectus or filing statement for legal counsel to review before submitting it to the securities commission. Drafting a prospectus in-house will help keep costs lower.

COSTS OF MAINTAINING A PUBLIC COMPANY

Once listed, a company can expect to incur annual legal and accounting fees of about \$25,000 over and above those it had as a private company. If a company is very complex or is doing corporate transactions requiring CDNX approval, there will be extra costs.

Legal and investor relations fees may also be higher if the company needs help to meet its continuous disclosure requirements, including quarterly financial statements or news releases. These fees depend largely on how well company directors understand the requirements of CDNX and the securities commissions. If company management are knowledgeable and experienced more work can be done in-house to keep costs lower.

COMMONLY ASKED QUESTIONS

HOW DO CDNX'S MINIMUM LISTING REQUIREMENTS COMPARE TO THE TSE AND NASDAQ?

The following chart outlines the listing requirements on CDNX, the TSE and NASDAQ for the industrial sector. See the TSE and NASDAQ Web sites for their complete minimum listing requirements.

	Net Tangible Assets (NTA)	Earnings
CDNX Tier 2	\$500,000 Cdn	\$50,000 Cdn
CDNX Tier 1	\$1 million Cdn	\$100,000 Cdn
TSE	\$7.5 million Cdn	\$200,000 Cdn
NASDAQ Small Cap Market	\$4 million US	\$750,000 US

HOW MUCH CAPITAL SHOULD BE RAISED?

This depends on the amount of funds the company needs to raise and the interest of investors. The company must be able to justify their specific need for capital to investors. Management must also carefully consider the degree of control they wish to retain—they must sell at least 20 per cent of shares in order to go public.

WHO SETS THE INITIAL SHARE PRICE?

The company does, by agreement with the broker/investment dealer. However, consideration to the marketplace is the main factor. The underwriter must ensure the price is attractive for investors by reflecting the true value of the company, and its future growth prospects.

Other price influences are past earnings, the economic climate, projected future growth of the company, potential resource prospects and any special characteristics.

WHAT ARE THE ALTERNATIVES TO GOING PUBLIC?

Rather than go public a company may seek capital from a number of private financing sources, including banks, venture capitalists, angel investors and government agencies.

HOW LONG WILL IT TAKE?

The time to list depends on the complexity of the listing, quality of documentation provided by the company and whether any outstanding issues exist. On average, the process takes three to six months to complete.

STEPS TO GOING PUBLIC

Company determines if they are ready to go public.

- Review the business plan and policies.
- Determine if external financing is required to further the business plan.
- Review the company's financials using five years of statements.
- Consider the tax implications of going public.

Management determines if they are ready to go public.

- Develop a public mind set.
- Determine how the company will tell its story to the public.
- Organize the company's internal documentation to ensure the prospectus and due diligence are completed efficiently.
- Determine if the current board of directors meets the regulatory requirements of a public company.

Management selects professional advisors.

- Sponsor (underwriter/investment dealer).
- Auditor.
- Securities lawyer.
- Investment relations firm, if required.

Management, professional advisors and CDNX decide whether CDNX is the right market for the company.

- Speak with a CDNX Business Development Executive and Corporate Finance Professional.

Professional advisors commence the listing process.

- Prepare comparative financial statements.
- Start due diligence of deal and people involved in the deal.
- Determine which listing vehicle to use: initial public offering, reverse takeover or Capital Pool Company program.
- Approach CDNX Corporate Finance staff for a pre-assessment of the transaction.
- Company and lawyer prepare legal documents.
- Management files legal and supporting documents, including financials, with CDNX and applicable securities commissions.
- CDNX and/or securities commission(s) review legal documents, note any deficiencies and communicate these to the company and professional advisors.
- Company and professional advisors address all the deficiencies to the satisfaction of the regulatory authorities.
- After receiving CDNX and/or security commission approval the company is listed on CDNX.

QUESTIONS FOR POTENTIAL
SPONSORS AND ADVISORS

The process of taking a company public is complex, and competent advisors are crucial to the success. The following lists of possible questions will help a company select the most appropriate advisors.

QUESTIONS FOR SPONSORS

1. What is your experience with listing companies on CDNX – IPOs, RTOs and CPCs?
2. What is the profile of your typical deal? What sector? Investment stage and size of deal?
3. What is your firm's sector expertise?
4. Do you typically support second and third round financings? Please give examples.
5. What is the sponsor's role in the listing process versus CDNX's role?
6. Is your firm currently working on other IPOs/new listings?
7. Who from your firm will represent my company, and what will their role be? What are their credentials?
8. Who will be assigned as research analyst to report on my company?
9. How do you deal with conflicts of interest?
10. How receptive is the market currently to this type and size of deal?
11. How should my company's IPO/CPC be positioned in order to appeal to a broader base of investors? How will your firm market my stock?

12. What is a realistic time line for the listing process and how does it differ between IPOs, RTOs and CPCs?
13. How much will going public cost?
14. How much of the IPO money is the company expected to source?
15. How much of the senior management's time and resources will be required to bring the company public?
16. How will your firm value my company?
17. After the launch of the IPO when will you initiate stock coverage?
18. How in-depth will the report be and at what intervals will it be updated?
19. Please provide references from three other similar deals and your client list.

QUESTIONS FOR SECURITIES LAWYERS

1. Do you have experience bringing a company public on CDNX?
2. How much experience have you had in public offerings?
3. What has been your past experience with listing using an IPO, RTO or CPC?
4. Are you up-to-date on CDNX policies and procedures?
5. Are you up-to-date on the securities commissions' requirements?
6. Are you familiar with this industry and our company?
7. Do you have other commitments that would limit your time and resources to working on our listing?

QUESTIONS FOR POTENTIAL SPONSORS AND ADVISORS

8. Who at your firm will work on our company's listing?
9. What are their credentials?
10. What are your rates?
11. Please provide references from three other similar deals and a client list.

QUESTIONS FOR AUDITORS

1. Do you have experience bringing a company public on CDNX?
2. Is your firm authorized by the CA, CGA or CMA Institute or Association to perform audits of public companies in this province?
3. What has been your past experience with listing using an IPO, RTO or CPC?
4. Are you up-to-date on CDNX's policies and procedures?
5. Are you up-to-date on the securities commissions' requirements?
6. Do you foresee any financial statement issues related to the company going public?
7. Who at your firm will work on our company's listing?
8. What are their credentials?
9. What are your rates?
10. Please provide references from three other similar deals and a client list.

QUESTIONS FOR INVESTOR RELATIONS FIRMS

1. How familiar are you with CDNX filing requirements and securities commissions' rules and regulations?
2. Have you done investor relations work for junior public companies?
3. Do you have a history of disciplinary matters, such as settlement agreements or disciplinary actions with any regulatory body?
4. How many years of experience do you have in IR? In this industry?
5. Are you a member of the Canadian Investor Relations Institute?
6. What specific services would you provide?
7. How would you generate awareness of my company?
8. What are your quality leads for potential investors in my company?
9. How much will your IR services cost our company?
10. Are you willing to provide a copy of your Personal Information Form (PIF) not only to CDNX but also to the company?
11. Please provide references from three other similar deals and a client list.

RESOURCES FOR MORE INFORMATION

CDNX WEB SITE

The CDNX Web site (www.cdnx.com) offers comprehensive information on the CDNX listing process and requirements, including the Corporate Finance Manual.

BUSINESS DEVELOPMENT EXECUTIVES

Business Development Executives in Calgary, Toronto, Vancouver and Winnipeg help companies determine if they are ready to go public on CDNX. Through the CDNX PREP program, a Business Development Executive can provide referrals to potential member firm sponsors, and professional advisors such as securities lawyers, accountants and technical experts.

CORPORATE FINANCE ANALYSTS

Once a Business Development Executive has determined if the company is ready to go public, a CDNX Corporate Finance analyst would be available to answer questions on CDNX listing policies and deal structures. These listing professionals work closely with sponsor firms to ensure that the company successfully completes the listing process.

MEMBER FIRMS (SPONSORS)

Many CDNX member firms have extensive experience in listing junior companies on CDNX. The first step for the member firm will be to review the business plan and ensure that the timing is right for the company. The sponsor will also help determine costs and time requirements.

SECURITIES COMMISSIONS

B.C. Securities Commission
(604) 899-6500
www.bcsc.bc.ca

Alberta Securities Commission
(403) 297-6454
www.albertasecurities.com

Saskatchewan Securities Commission
(306) 787-5645
www.ssc.gov.sk.ca

Manitoba Securities Commission
(204) 945-2584
www.msc.gov.mb.ca

Ontario Securities Commission
(416) 593-8314
www.osc.gov.on.ca

Commission des valeurs mobilières du Québec
(514) 940-2150
www.cvmq.com

New Brunswick Securities Administration
(506) 658-3060
www.cbasc.org

Nova Scotia Securities Commission
(902) 424-7768
www.gov.ns.ca/nssc

Prince Edward Island Department of
Community Affairs & Attorney General
(902) 368-4000
www.gov.pe.ca

Newfoundland and Labrador Securities Division
(709) 729-2781
www.gov.nf.ca

CONTACT CDNX

Discover how CDNX can provide your company with an opportunity to grow. Call a CDNX Business Development Executive in your region today for more information.

Calgary

(403) 974-7400

1-877-884-CDNX (2369)

Toronto

(416) 367-2369

1-877-421-CDNX (2369)

Vancouver

(604) 689-3334

1-877-883-CDNX (2369)

Winnipeg

(204) 927-2369

1-877-422-CDNX (2369)

WWW.CDNX.COM

information@cdnx.com

MEMBER FIRMS

Acadian Securities Incorporated
(902) 496-7580

Acumen Capital Finance Partners Limited
(403) 571-0300

Altara Securities Inc.
(604) 688-2123

Bieber Securities Inc.
(204) 946-0297

BMO Nesbitt Burns Inc.
(416) 359-4000

Bolder Investment Partners, Ltd.
(604) 714-2300

Brawley Cathers Limited
(416) 363-5821

Caldwell Securities Ltd.
(416) 862-7755

Canaccord Capital Corporation
(604) 643-7300

CFG Futures Canada Inc.
(204) 988-9710

CIBC World Markets Inc.
(416) 594-7000

Correspondent Network
(416) 542-2200

DLJ Canada Inc.
(514) 844-5443

Dominick & Dominick Securities Inc.
(416) 363-0201

DPM Securities Inc.
(416) 645-4000

Dundee Securities Corporation
(416) 350-3250

E*TRADE Canada Securities Corporation
(416) 214-1960

Emerging Equities Inc.
(403) 216-8200

First Delta Securities Inc.
(416) 364-4001

FirstEnergy Capital Corp.
(403) 262-0600

Friedberg Mercantile Group
(416) 364-1171

Georgia Pacific Securities Corporation
(604) 668-1800

Global Securities Corporation
(604) 689-5400

Golden Capital Securities Limited
(604) 688-1898

MEMBER FIRMS

Great Pacific Management Co. Ltd.
(604) 669-1143

Griffiths McBurney & Partners
(416) 367-8600

Groome Capital.com Inc.
(514) 878-0079

Hampton Securities Limited
(416) 862-7800

Haywood Securities Inc.
(604) 697-7100

HSBC Securities (Canada) Inc.
(416) 947-2700

IPO Capital Corp.
(416) 815-0777

ITG Canada Corp.
(416) 874-0900

Jennings Capital Inc.
(403) 292-0970

Jones, Gable & Company Limited
(416) 362-5454

Jory Capital Inc.
(204) 942-7711

Loewen Ondaatje McCutcheon Limited
(416) 964-4455

Merrill Lynch Canada Inc.
(416) 369-7400

National Bank Financial Inc.
(514) 879-2222

National Bank Financial Ltd.
(416) 865-7400

Newcrest Capital Inc.
(416) 862-9160

Northern Securities Inc.
(416) 644-8100

Octagon Capital Corporation
(416) 368-3322

Odlum Brown Limited
(604) 669-1600

Pacific International Securities Inc.
(604) 664-2900

Peters & Co. Limited
(403) 261-4850

RBC Dominion Securities Inc.
(416) 842-2000

Rampart Securities Inc.
(416) 867-6000

Raymond James Ltd.
(604) 654-1111

MEMBER FIRMS

Research Capital Corporation
(416) 860-7600

Roche Securities Ltd.
(780) 424-5131

Rogers & Partners Securities Inc.
(403) 531-6800

Salman Partners Inc.
(604) 685-2450

Scotia Capital Inc.
(416) 863-7272

Sprott Securities Inc.
(416) 362-7485

Standard Securities Capital Corporation
(416) 515-2227

StephenAvenue Securities Inc.
(403) 777-2442

Taurus Capital Markets Ltd.
(416) 361-2000

TD Securities Inc.
(416) 982-6160

TD Waterhouse Investor Services (Canada) Inc.
(416) 982-7686

Thomson Kernaghan & Co. Ltd.
(416) 860-8800

UBS Bunting Warburg Inc.
(416) 364-3293

Union Securities Ltd.
(604) 687-2201

W.D. Latimer Co. Limited
(416) 363-5631

Wellington West Capital Inc.
(204) 925-2250

Wolverton Securities Ltd.
(604) 622-1000

Woodstone Capital Inc.
(604) 605-8300

Yorkton Securities Inc.
(416) 864-3500

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