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Exchange

TSX Venture  
Exchange

# Capital Pool Company™

An alternative source of growth capital



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Canadian Derivatives Clearing Corporation | TMX Datalinx | Equicom | PC Bond | Shorcan

# Capital Pool Company Founders



Mark Lawrence

Director, NorthCrest Partners Inc.

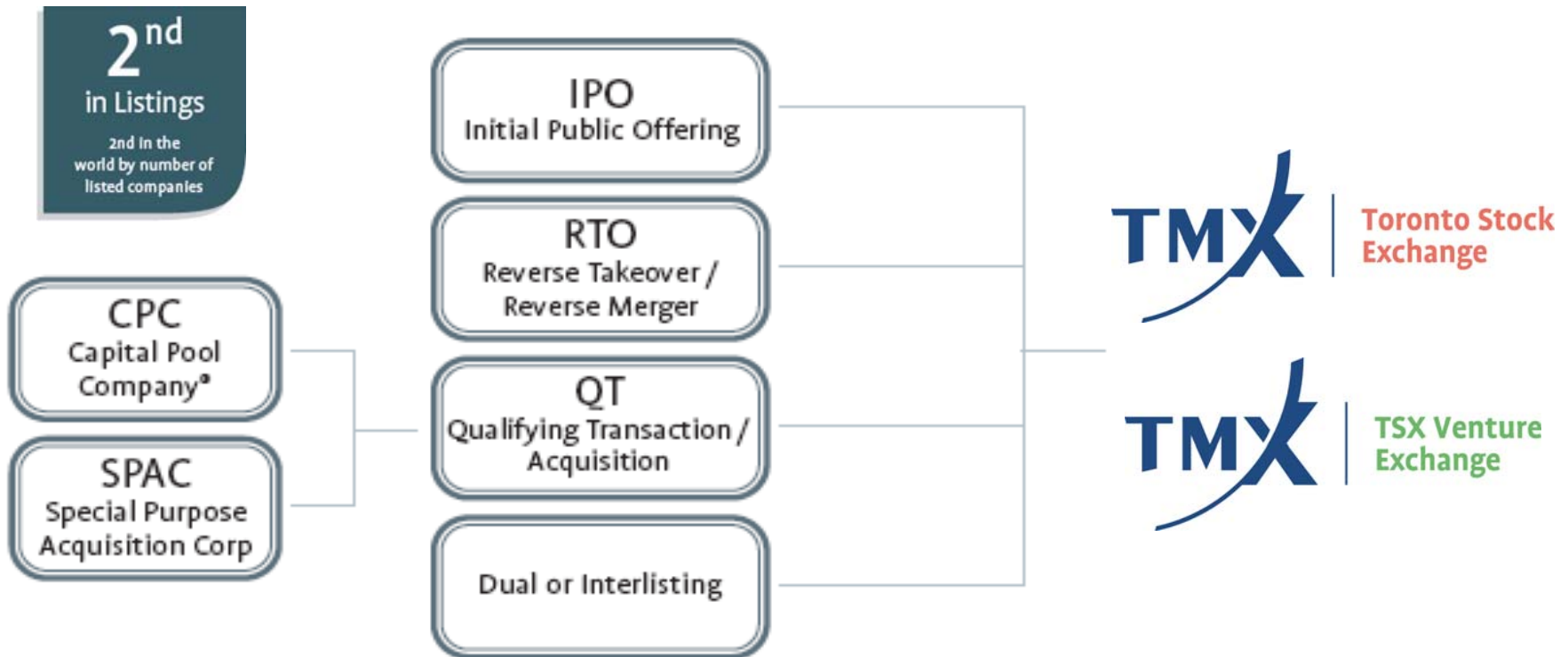
Rob Munro

President & Co-founder, The Chrysalis Capital Group Inc.

# Going Public Transactions



TMX Equity markets embrace multiple mechanisms for “go-public” transactions



# Capital Pool Company™ (CPC) Program has a Strong Track Record



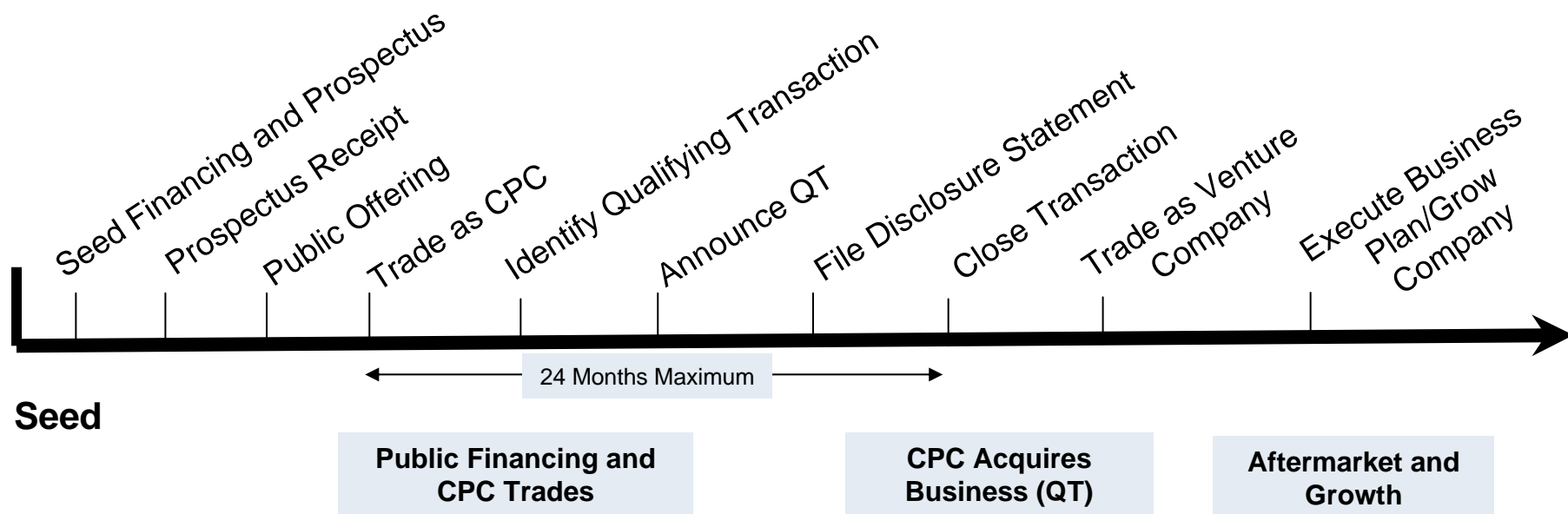
## Anatomy of a Qualifying Transaction



## Since inception:

- Over 2050 CPCs were created
- 80% have completed their QT - over 1600 companies
- 329 Graduates now trade on TSX
- 96 of the grads were CPCs

# Capital Pool Company: Process



# Capital Pool Company: Milestones



## Seed Financing

- \$100,000 to \$1.8 M seed financing of the company by 3-5 Founders/Directors
- Up to \$500,000 can be discount seed

## CPC IPO

- a prospectus offering to create a corporate vehicle with public distribution

## Qualifying Transaction (QT)

- a target business is identified, disclosed and acquired

## Aftermarket and Growth

- company trades and executes its business plan

# 1. Seed Financing



3-5 CPC Founders:

Collectively invest \$100,000 to \$1.8 M in seed funding

Up to \$500,000 can be discount seed

Appoint CPC Board of Directors

Seed investors do not have to be Directors

\$5000 minimum investment / Director

Seed Financing and Prospectus



Seed

# Consider this...

## Success Factors:

Cohesive team with same level of commitment

Reasonable timeline & budget agreement

Strategic & institutional capital

Board: dealflow network, business contacts, business and pubco experience

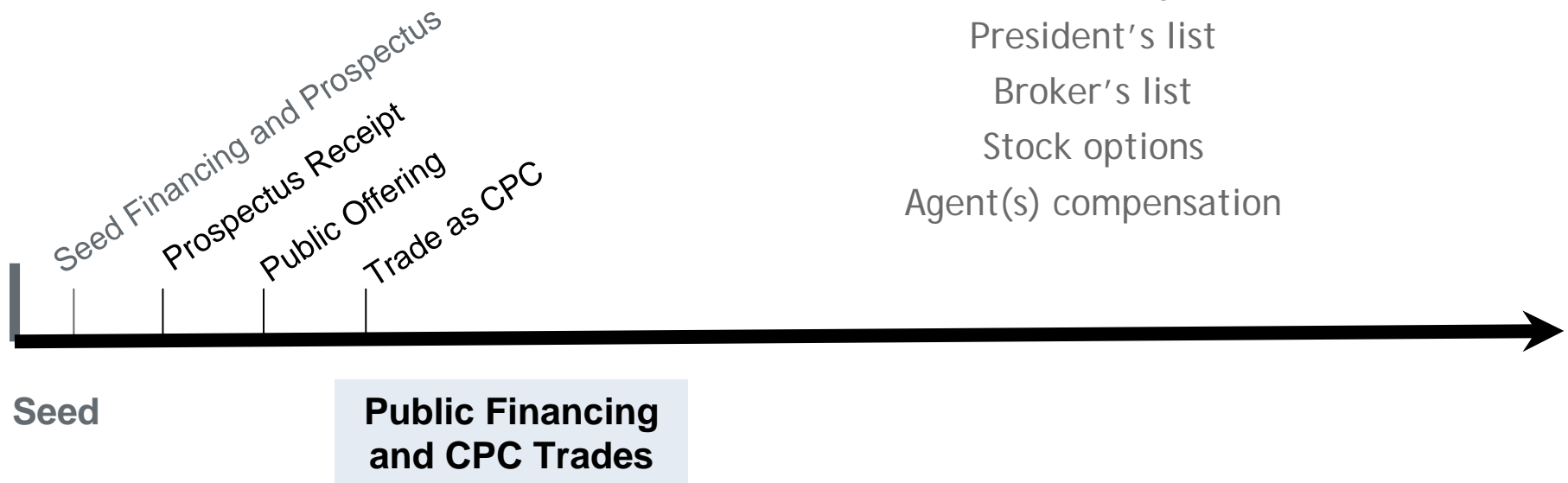
Develop relationship with TSXV

## Potential Pitfalls:

Observe structuring rules regarding \$5,000 minimum per Director and \$100,000 Director group minimum



## 2. CPC Initial Public Offering



CPC IPO is completed:

- President's list
- Broker's list
- Stock options
- Agent(s) compensation

# Consider this...

## Success Factors:

Broker commitment

Selecting the right team of advisors  
with CPC experience

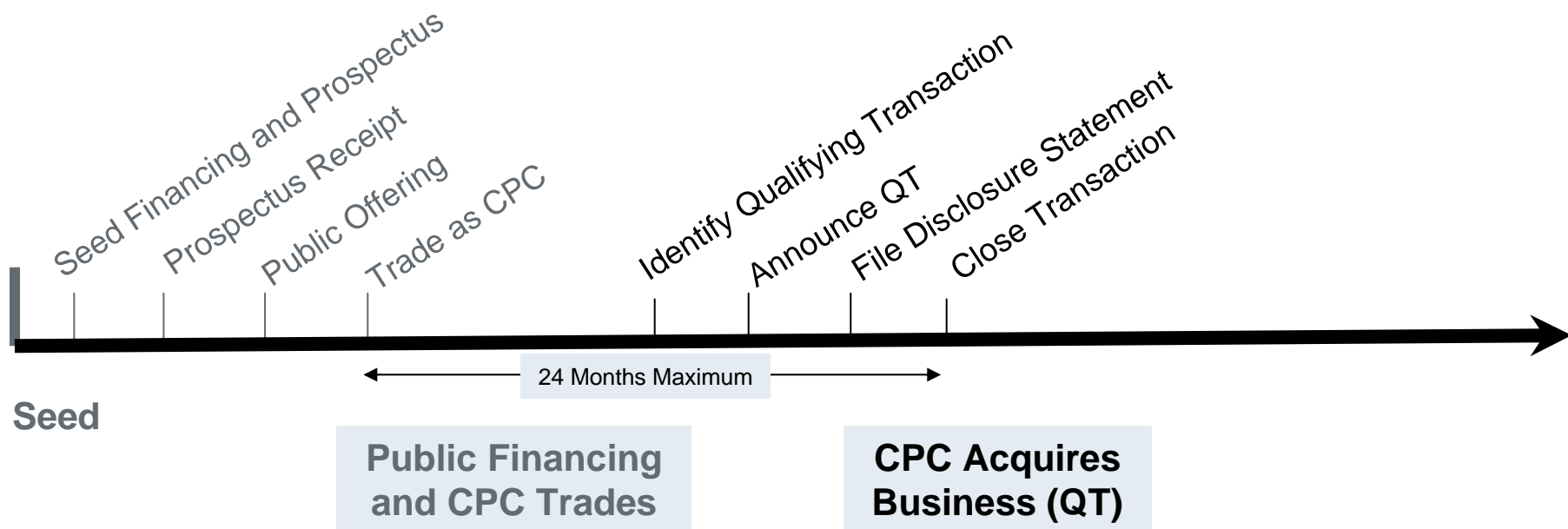
TargetCo, CPC and Sponsor must all  
have representation

## Potential Pitfalls:

Double check “agreement in  
principle” not yet established

PIFs - timing and impact on  
prospectus

# 3. Qualifying Transaction



# Selecting a QT Candidate



## Considerations for a Qualifying Transaction:

Significant growth opportunity & reason to be public

Strong & coachable management

Capital needs: \$1 M to \$20 M

Close to commercialization

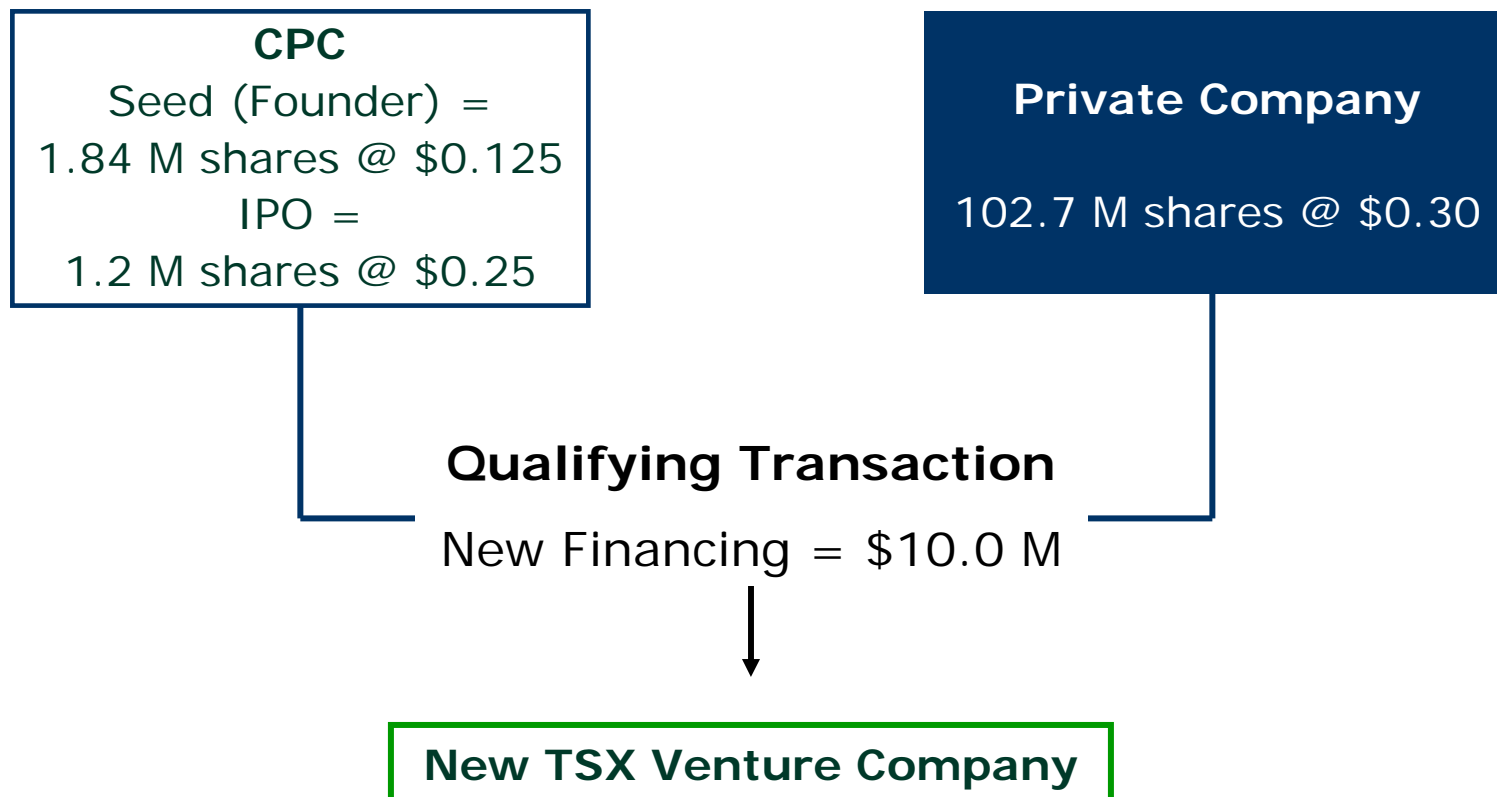
Meets minimum listing and audit requirements

Stock options and acquisition currency

Strong market appetite

12 to 18 month cash requirements (can be financed)

# Anatomy of a Qualifying Transaction



# Resulting Share Structure



	Shares	Price	Invested/ Valuation	Market @ \$0.35	Ownership
Seed Investors*	1,840,000	\$0.125	\$230,000	\$0.644 M	1.3%
CPC IPO*	1,200,000	\$0.25	\$300,000	\$0.42 M	0.9%
Acquisition of QT	102,666,667	\$0.30	\$30.8 M	\$35.9 M	73.8%
Private Placement	33,333,333	\$0.30	\$10 M	\$11.6 M	23.9%
Totals	139,040,000			\$48.6 M	100%

\*CPCs shares were not consolidated on the QT which often happens.

# ROI for Founder



## Seed Investment:

\$35,000 invested at \$0.125 = 280,000 shares

## Post QT:

280,000 shares @ \$0.35 = \$98,000

ROI:

**180%**

# Consider this...

## Success Factors:

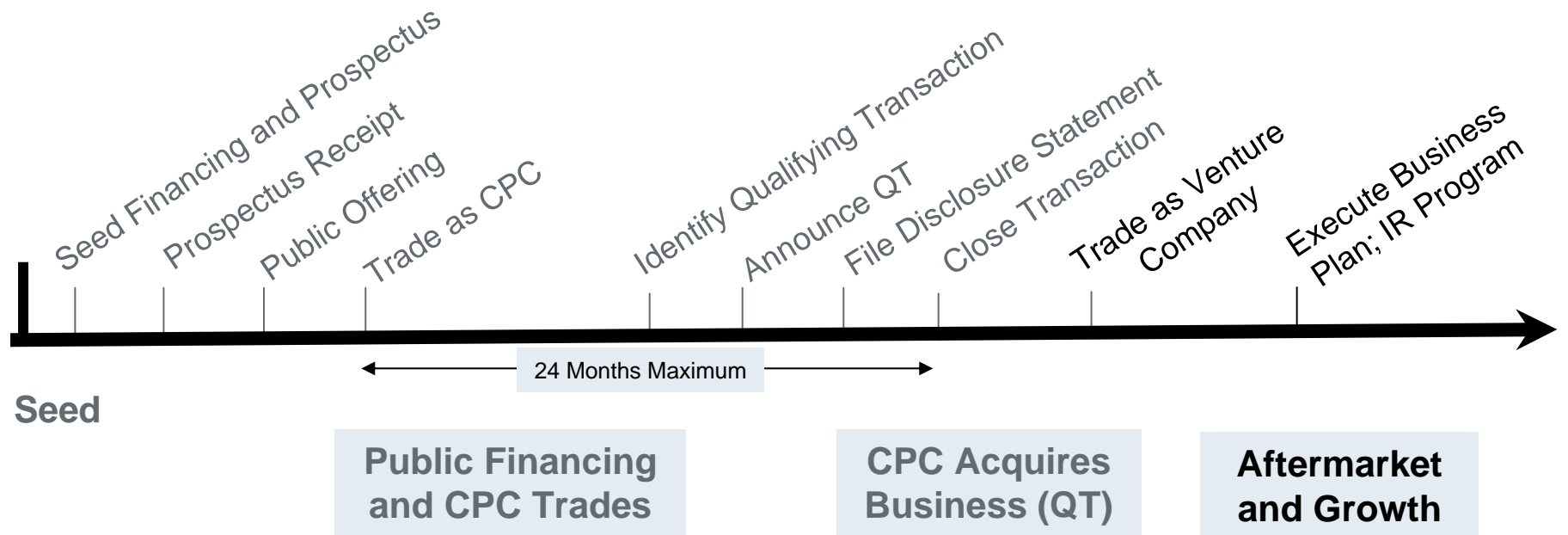
- Lots of cash on closing
- Market interest and understanding
- Deliver in short term post closing
- Reasonable valuation - not always maximum valuation

## Potential Pitfalls:

- Listing requirements shortfalls
- Insufficient cash/working capital on closing
- Valuation versus escrow regime (TSXV Policy 5.4)
- PIFs - timing and impact on circular



# 4. Aftermarket and Growth



# Aftermarket



TargetCo post QT Investor relations program

- Shortlist IR firms early on

Consider CPC board members with capital market experience

Execute business plan

Private placements

Acquisitions

Governance/compliance with securities laws and Exchange policies

# Consider this...

## Success Factors:

Press release clarity/ quality

Broker management and support

Timely disclosure against  
published milestones (good and  
bad)

## Potential Pitfalls:

Orphan status

Mistrust of management's  
willingness to communicate

Market fluctuations

# Why/When a CPC



## Company Wants/ Needs

- Alternative access to capital; Retain higher ownership
- Want to be public company (M&A currency, stock options, visibility)
- Greater flexibility, certainty and control in the process
- Going public risk reduced

## Market Conditions

- Company is too early stage for a broadly distributed regular IPO
- IPO market is not strong enough in general
- VC financing is not viable or management prefers not to use
- Market appears to reward growth business of target company's sector

## Critical Success Factors

- Management
- Long term strategy to grow as a public company
- Reasonable valuation = Viable share structure
- Investor support
- Appropriate advisors (lawyer, broker, investment banker)

# 2009 QTs



99 Capital Corporation  
Acro Energy Technologies  
AgriMarine Holdings Inc  
Alston Ventures Inc  
Ansell Capital Corp  
Antler Creek Energy Corp  
Argex Silver Capital Inc  
Armadillo Resources Ltd  
Ashburton Ventures Inc  
Astorius Resources Ltd  
Bassett Media Group Corp  
Blackbird Investments Inc  
Blackline GPS Corp  
Canada Fluorspar Inc  
Carbon2Green Corporation  
Caribou Copper Resources Ltd  
Cascade Resources Ltd  
Ceres Capital Corp  
Challenger Deep Capital Corp  
Changyu Medtech Ltd  
Cobalt Coal Corp  
Coltstar Ventures Inc  
Corbal Capital Corp  
Crown Minerals Inc  
CRS Electronics Inc  
Dee Three Exploration Inc  
Defiance Capital Corp  
Edgewater Exploration Ltd  
Ethos Capital Corp

ForceLogix Technologies Inc  
Foundation Resources Inc.  
GFE Capital Corp  
Global Key Investment Limited  
Greenangel Energy Corp  
Hamilton Thorne Ltd  
Heatherdale Resources Ltd  
Hermes Financial Inc  
Immunovaccine Inc  
Innovative Composites International Inc  
ISG Capital Corporation  
Jiminex Inc  
Jiulian Resources Inc  
Kilo Goldmines Ltd  
Knick Exploration Inc  
Landen Capital Corp  
Lincoln Mining Corporation  
Liuyang Fireworks Limited  
Mega View Digital Entertainment Corp  
Morumbi Oil & Gas Inc  
Mosam Capital Corp.  
Natcore Technology Inc  
Northern Spirit Resources Inc  
NV Gold Corporation  
Paget Minerals Corp  
Parallel Capital Corp.  
Parta Sustainable Solutions Inc  
PetroKamchatka Plc  
Podium Capital Corporation

Providence Capital Corp  
Rockridge Capital Corp  
Rugby Mining Limited  
Sandspring Resources Ltd  
Scorpio Gold Corporation  
Sila Industrial Group Ltd  
Sino Vanadium Inc  
Sirona Biochem Corp  
Spot Coffee (Canada) Ltd  
TAD Capital Corp  
Taipan Resources Inc  
Tasman Metals Ltd  
Theia Resources Ltd  
Toptent Inc  
Tosca Mining Corp  
Touchdown Capital Inc.  
TrueContext Mobile Solutions Corporation  
Unity Energy Corp  
Urastar Energy Inc  
Venture One Capital Corp  
Waterloo Resources Ltd  
Westcore Energy Ltd  
World Famous Pizza Company Ltd  
xRM Global Inc



Contact our Business Development Team to learn more about your Capital Opportunity.

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