

# CPC LAW QUIZ



**F**or private companies looking to take their company public, a capital-pool company provides an excellent alternative to the traditional IPO. The CPC program provides a proven process and framework for introducing experienced investors to entrepreneurs whose junior growth companies are looking for both capital and management experience. Test your knowledge with this quiz, provided by Sanjay Joshi and Michael Dolphin of WeirFoulds LLP.

**1** What is the maximum amount I can raise under the CPC program?  
(a) \$500,000  
(b) \$1 million  
(c) \$2 million  
(d) \$100 million  
(e) Unlimited

**4** In order to meet the Toronto Stock Exchange's listing requirements, do I need a sponsor?  
(a) Yes  
(b) Yes, but with an exception  
(c) No  
(d) No, except under certain circumstances  
(e) It depends

**2** Is shareholder approval required for closing the qualifying transaction?  
**Yes or No**

**5** Are there any restrictions on the type of business that forms the target company to a qualifying transaction?  
**Yes or No**

**3** Once an agreement in principal has been reached with a target company, can the CPC loan the target money prior to completion of the qualifying transaction?  
**Yes or No**

**6** Can a foreign incorporated company be the target company for a qualifying transaction?  
**Yes or No**

**WeirFoulds**<sup>LLP</sup>

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## ANSWERS

**1 (C)** The maximum aggregate gross proceeds to the treasury of the CPC from the issuance of seed shares, IPO shares, and all shares issued pursuant to a private placement must not exceed \$2 million. The cap does not apply to a private placement completed concurrently with the closing of the qualifying transaction.

**2 NO.** Shareholder approval is generally not required for closing the qualifying transaction unless the company is also making a fundamental change to the corporate structure or there is a related party to the transaction. Where shareholder approval is not required, the CPC filing statement serves as the disclosure document. If shareholder approval is not required, the CPC must file the CPC filing statement on SEDAR once it has obtained conditional approval from the Toronto Stock Exchange. The CPC filing statement must be filed on SEDAR at least seven business days prior to the closing of the QT.

**3 YES.** Subject to TSX Venture Exchange acceptance, up to an aggregate of \$225,000 may be advanced, as a refundable deposit or secured loan, by a CPC to a vendor or target company for a proposed arm's-length QT.

**4 (B)** Yes, generally a sponsor is required for any application for a new listing through a CPC. There is an exemption from the sponsorship requirement if:

(i) the issuer files a transaction disclosure form (form 21); and  
(ii) there is significant involvement of a major financial institution in the transaction; or

(iii) the CPC conducts a concurrent brokered financing of at least \$500,000 in connection with the transaction, and the agent for that transaction has provided the TSX with confirmation that it has completed appropriate due diligence on both the transaction and the disclosure document.

**5 YES.** Upon completion of the QT, the resulting issuer cannot be a finance company, financial institution, finance issuer, or mutual fund.

**6 YES.** The TSX Venture Exchange will allow for a foreign incorporated company to be the target company for a QT, provided that it meets the listing requirements of the exchange.

### YOUR RANKING?

**One or fewer correct: Might be time to brush up.**

**Two or three correct: Not bad, but could do better.**

**Four or five correct: Impressive.**

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