

*This prospectus constitutes a public offering of the securities only in those jurisdictions where they may be lawfully offered for sale and, in such jurisdictions, only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

## PROSPECTUS

Initial Public Offering

April 14, 2004

# CASABLANCA CAPITAL CORP.

(a capital pool company)

\$200,000

## 1,000,000 Common Shares

Price: \$0.20 per Common Share

Casablanca Capital Corp. (the "Corporation") hereby offers through its agent, Octagon Capital Corporation (the "Agent"), 1,000,000 common shares in the capital of the Corporation (the "Common Shares") for sale to the public at a price of \$0.20 per share. The purpose of this offering (the "Offering") is to provide the Corporation with a minimum of funds with which to identify and evaluate businesses or assets with a view to completing a Qualifying Transaction, as hereafter defined. Any proposed Qualifying Transaction must be approved by the Exchange and, in the case of a Non Arm's Length Qualifying Transaction, must also receive Majority of the Minority Approval, as hereafter defined, in accordance with Exchange Policy 2.4 (the "CPC Policy"). The Corporation is a Capital Pool Company ("CPC"). It has not commenced commercial operations and has no assets other than a minimum amount of cash. Except as specifically contemplated in the CPC Policy, until the Completion of the Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a proposed Qualifying Transaction. See "Business of the Corporation" and "Use of Proceeds".

This Offering is made on a best efforts basis by the Agent and is subject to a minimum subscription of 1,000,000 Common Shares for total gross proceeds to the Corporation of \$200,000. The offering price of the Common Shares was determined by negotiation between the Corporation and the Agent. All funds received from subscriptions for Common Shares will be held by the Agent pursuant to the terms of the Agency Agreement between the Corporation and the Agent. If the minimum subscription is not raised within 90 days of the issuance of a final receipt for this prospectus or such other time as may be consented to by persons or companies who subscribed within that period, all subscription monies will be returned to subscribers without interest or deduction.

In addition, and subject to regulatory approval, the Corporation intends to grant options to purchase 120,000 Common Shares under a directors', officers', employees' and key consultants' stock option plan. See "Plan of Distribution" and "Options to Purchase Securities".

Other than the initial distribution of the Common Shares pursuant to this prospectus and the grant of options to the directors and officers of the Corporation, trading in all securities of the Corporation is prohibited during the period between the date a receipt for this prospectus is issued by the Alberta, British Columbia and Ontario Securities Commissions and the time that the Common Shares are listed for trading except, subject to prior acceptance of the Exchange, where appropriate registration and prospectus exemptions are available under securities legislation or where the relevant Securities Commission grants a discretionary order.

The Exchange has conditionally accepted the listing of the Common Shares. Listing will be subject to the Corporation fulfilling all of the listing requirements of the Exchange.

	<u>Price to Public</u>	<u>Agent's Commission<sup>(1)</sup></u>	<u>Proceeds to the Corporation<sup>(2)</sup></u>
Per Common Share	\$0.20	\$0.02	\$0.18
Total Offering	\$200,000	\$20,000	\$180,000

### Notes:

- (1) In addition, the Corporation will pay a corporate finance fee to the Agent in the amount of \$15,000 (plus GST) and will pay the Agent's reasonable expenses, including its legal fees. The Corporation has paid a deposit of \$21,050 (including GST) for the Agent's fees, expenses and legal fees. See "Plan of Distribution".
- (2) Before deducting the costs of this issue (and certain pre-offering costs), estimated at approximately \$60,000, exclusive of the Agent's commission.

Investment in the Common Shares offered by this prospectus is highly speculative due to the nature of the Corporation's business and its present stage of development. This Offering is suitable only to those investors who are prepared to risk the loss of their entire investment. See "Business of the Corporation", "Capitalization and Dilution" and "Risk Factors".

There is no market through which the Common Shares offered by this prospectus may be sold and purchasers may not be able to dispose of them on a timely basis. Upon completion of this Offering, purchasers will suffer an immediate dilution (based on the gross proceeds from this and prior issues without deduction of selling and related expenses) per Common Share of \$0.05 or 25%. The Corporation was only recently incorporated and does not currently own any assets other than cash. The business objective of the Corporation is to identify and evaluate assets or businesses with a view to completing a Qualifying Transaction approved by the Exchange and, if applicable, approved by the majority of the minority of the Corporation's shareholders; however, there can be no assurance that the Corporation will successfully complete a Qualifying Transaction. Although the Corporation has commenced the process of identifying potential acquisitions, the Corporation has yet to enter into any negotiations with respect to such potential acquisitions and may determine that current markets, terms of acquisition, or pricing conditions make such potential acquisitions uneconomic.

The Corporation has not entered into an Agreement in Principle, as hereafter defined. The Corporation may find that even if the terms of a potential acquisition are economic, the Corporation may not be able to finance such acquisition and additional funds may be required to meet such obligations. Since the Corporation has not placed any geographical restrictions on the location of a Qualifying Transaction (other than the requirement under the CPC policy that the Significant Assets must be located in Canada or the United States, unless the Resulting Issuer is an oil and gas issuer or a mining issuer), such Qualifying Transaction may involve the acquisition of a business located outside of Canada and, as such, investors should be aware that it may be difficult or may not be possible to effect service or notice to commence legal proceedings upon any directors, officers and experts outside of Canada and that it may not be possible to enforce against such persons or the Corporation, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada. Where the investment or acquisition is financed by the issuance of shares from the Corporation's treasury, control of the Corporation may change and shareholders may suffer further dilution of their investment. The Corporation will be in competition with other corporations with greater resources. The Corporation has neither a history of earnings nor has it paid any dividends and it is unlikely to generate earnings or pay dividends in the immediate or foreseeable future. The Exchange may suspend from trading or delist the Common Shares where the Corporation has failed to complete a Qualifying Transaction within 18 months of the date of listing. The Executive Director (or equivalent thereof) of the Alberta Securities Commission, British Columbia Securities Commission or Ontario Securities Commission may issue an interim cease trade order against the Corporation's securities if the Common Shares of the Corporation are suspended from trading on the Exchange and will issue an interim cease trade order if the Corporation is delisted from the Exchange. In addition, delisting of the Common Shares will result in the cancellation of all of the Common Shares of the Corporation owned by insiders issued prior to this Offering. Investors must rely solely on the expertise of the Corporation's promoters, directors and officers for any possible return on their investment. The Corporation's promoters, directors, officers and control persons, and their Associates and Affiliates, as a group beneficially own or control, directly or indirectly, 1,000,000 Common Shares, which represents 100% of the issued and outstanding Common Shares before giving effect to this Offering and approximately 50% of the issued and outstanding Common Shares after giving effect to this Offering. The directors and officers of the Corporation will only devote part of their time to the affairs of the Corporation and there are potential conflicts of interest to which some of the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. See "Dilution", "Business of the Corporation", "Directors, Officers and Promoters", "Use of Proceeds", "Conflicts of Interest" and "Risk Factors".

Octagon Capital Corporation, as agent, conditionally offers these Common Shares, on a "best efforts" basis, if, as and when subscriptions are accepted by the Corporation, subject to prior sale, in accordance with the terms and conditions of the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters by TingleMerrett LLP, Barristers & Solicitors, Calgary, Alberta, on behalf of the Corporation and by Gary M. Sugar, Barrister & Solicitor, Toronto, Ontario, on behalf of the Agent.

Under CPC Policy, no purchaser of the Common Shares is permitted to purchase more than 2% or 20,000 (\$4,000) of the total Common Shares in the Offering. In addition, the maximum number of Common Shares permitted to be purchased by that purchaser together with any Associates or Affiliates of that purchaser is 4% or 40,000 (\$8,000) of the total number of Common Shares offered under the prospectus. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that share certificates evidencing the Common Shares in definitive form will be available for delivery on the closing date.

**OCTAGON CAPITAL CORPORATION**

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## GLOSSARY

*The following are definitions of certain terms used throughout this document.*

"**Affiliate**" means a company that is affiliated with another company as described below.

A company is an "Affiliate" of another company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person.

A company is "controlled" by a Person if:

- (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

- (a) a company controlled by that Person, or
- (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person.

"**Agency Agreement**" means the agency agreement dated April 14, 2004 between the Corporation and the Agent;

"**Agent**" means Octagon Capital Corporation;

"**Agreement in Principle**" means any enforceable agreement or any other agreement or similar commitment which identifies the fundamental terms upon which the parties agree or intend to agree which:

- (a) identifies assets or a business to be acquired which would reasonably appear to constitute Significant Assets and the acquisition of which would reasonably appear to constitute a Qualifying Transaction;
- (b) identifies the parties to the Qualifying Transaction;
- (c) identifies the consideration to be paid for the Significant Assets or otherwise identifies the means by which the consideration will be determined; and
- (d) identifies the conditions to any further formal agreements to complete the transaction, and

in respect of which there are no material conditions to closing (other than receipt of shareholder approval and Exchange acceptance), the satisfaction of which is dependent upon third parties and beyond the reasonable control of the Non Arm's Length Parties to the CPC or the Non Arm's Length Parties to the Qualifying Transaction.

"**Associate**" when used to indicate a relationship with a person or company, means

- (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,
- (b) any partner of the person or company,
- (c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity,
- (d) in the case of a person, a relative of that person, including
  - (i) that person's spouse or child, or
  - (ii) any relative of the person or of his or her spouse who has the same residence as that person;

but

- (e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

"CPC" means a corporation:

- (a) that has been incorporated or organized in a jurisdiction in Canada;
- (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and
- (c) in regard to which the Final Exchange Bulletin has not yet been issued.

"**company**" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

"**Completion of the Qualifying Transaction**" means the Final Exchange Bulletin is issued by the Exchange.

"**Control Person**" means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

"**Corporation**" means Casablanca Capital Corp., a corporation incorporated under the laws of the Province of Alberta.

"**CPC Policy**" means Policy 2.4 of the Exchange.

"**Eligible Charitable Organization**" means:

- (a) any "Charitable Organization" or "Public Foundation" which is a "Registered Charity", but is not a "Private Foundation" (as such terms are defined in the *Income Tax Act* (Canada)), or
- (b) a "Registered National Arts Service Organization" (as such term is defined in the *Income Tax Act* (Canada)).

"**Escrow Agreement**" means the escrow agreement to be entered into on closing among the Corporation, the Trustee and the founding shareholders of the Corporation.

"**Exchange**" or "**TSX-V**" means the TSX Venture Exchange Inc.

"**Final Exchange Bulletin**" means the Exchange Bulletin which is issued following closing of the Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange acceptance of the Qualifying Transaction.

"**Insider**" if used in relation to an Issuer, means:

- (a) a director or senior officer of the Issuer;
- (b) a director or senior officer of the Corporation that is an Insider or subsidiary of the Issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the Issuer; or
- (d) the Issuer itself if it holds any of its own securities.

"**IPO**" means an initial public offering.

"**Issuer**" means a person or company that:

- (a) has outstanding securities;
- (b) is issuing securities; or
- (c) proposes to issue securities.

**"Majority of the Minority Approval"** means the approval of a Non Arm's Length Qualifying Transaction by the majority of the votes cast by shareholders, other than:

- (a) Non Arm's Length Parties to the CPC;
- (b) Non Arm's Length Parties to the Qualifying Transaction; and
- (c) in the case of a Related Party Transaction:
  - (i) if the CPC holds its own shares, the CPC, and
  - (ii) a Person acting jointly or in concert with a Person referred to in paragraph (a) or (b) in respect of the transaction

at a properly constituted meeting of the common shareholders of the CPC.

**"Non Arm's Length Party"** means in relation to a company, a promoter, officer, director, other insider or Control Person of that company (including an Issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any company of which the individual is a promoter, officer, director, Insider or Control Person.

**"Non Arm's Length Parties to the Qualifying Transaction"** means the Vendor(s), any Target Company(ies) and includes, in relation to Significant Assets or Target Corporation(ies), the Non Arm's Length Parties of the Vendor(s), the Non Arm's Length Parties of any Target Corporation(ies) and all other parties to or associated with the Qualifying Transaction and Associates or Affiliates of all such other parties.

**"Offering"** means the offering of Common Shares in accordance with the terms of this prospectus.

**"Person"** means a company or individual.

**"Principal"** means:

- (a) a person or company who acted as a promoter of the issuer within two years before the IPO prospectus or Final Exchange Bulletin;
- (b) a director or senior officer of the issuer or any of its material operating subsidiaries at the time of the IPO prospectus or Final Exchange Bulletin;
- (c) a 20% holder – a person or company that holds securities carrying more than 20% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's IPO or immediately after the Final Exchange Bulletin for non IPO transactions;
- (d) a 10% holder – a person or company that
  - (i) holds securities carrying more than 10% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's IPO or immediately after the Final Exchange Bulletin for non IPO transactions; and
  - (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the issuer or any of its material operating subsidiaries.

In calculating these percentages, include securities that may be issued to the holder under outstanding convertible securities in both the holder's securities and the total securities outstanding.

A company, trust, partnership or other entity more than 50% held by one or more principals will be treated as a principal. (In calculating this percentage, include securities of the entity that may be issued to the principals under outstanding convertible securities in both the principals' securities of the entity and the total securities of the entity outstanding). Any securities of the issuer that this entity holds will be subject to escrow requirements.

A principal's spouse and their relatives that live at the same address as the principal will also be treated as principals and any securities of the issuer they hold will be subject to escrow requirements.

**"Qualifying Transaction"** means a transaction where a CPC acquires Significant Assets, other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means.

**"Resulting Issuer"** means the Issuer that was formerly a CPC that exists upon issuance of the Final Exchange Bulletin.

"**SEDAR**" means System for Electronic Document Analysis and Retrieval.

"**Significant Assets**" means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions, would result in the CPC meeting the minimum listing requirements of the Exchange.

"**Sponsor**" has the meaning specified in the TSX-V Policy 2.2 – *Sponsorship and Sponsorship Requirements*.

"**Target Company**" means an Issuer to be acquired by the CPC as its Significant Asset pursuant to a Qualifying Transaction.

"**Trustee**" means Equity Transfer Services Inc.

"**Vendors**" means one or all of the beneficial owners of the Significant Assets (other than a Target Company).

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.*

- The Corporation:** The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. The Corporation has not commenced commercial operations and has no assets other than a minimum amount of cash. See "Business of the Corporation".
- Offering:** A total of 1,000,000 Common Shares are being offered under this prospectus at a price of \$0.20 per Common Share. The Corporation also intends to grant options to purchase an aggregate of 120,000 Common Shares to directors and officers under a directors', officers', employees' and key consultants' stock option plan, all of which options are qualified for distribution under this Prospectus. See "Plan of Distribution" and "Options to Purchase Securities".
- Use of Proceeds:** The total net proceeds to the Corporation, accounting for total cash proceeds raised prior to this Offering and total proceeds of this Offering, net of all Offering expenses, will be approximately \$225,000. In addition, the Corporation estimates incurring general and administrative costs until the Completion of the Qualifying Transaction of approximately \$15,000, which will reduce the total net proceeds available for pursuing a Qualifying Transaction to approximately \$210,000. The net proceeds of this Offering will be used to provide the Corporation with a minimum of funds with which to identify and evaluate assets or businesses, for acquisition, with a view to completing a Qualifying Transaction. The Corporation may not have sufficient funds to secure such businesses or assets once identified and evaluated and additional funds may be required. Until Completion of the Qualifying Transaction and except as otherwise provided in the CPC Policy, a maximum of the lesser of 30% of the gross proceeds realized or \$210,000 may be used for purposes other than evaluating businesses or assets. See "Use of Proceeds", "Business of the Corporation" and "Risk Factors".
- Directors and Officers:**
- |               |   |  |
|---------------|---|--|
| Simon Serruya | – | President, Chief Financial Officer, Secretary, Promoter and a Director |
| Tracy Graf    | – | Director   |
| Troy Graf     | – | Director   |
- See "Directors, Officers and Promoters".
- Escrowed Securities:** One million (1,000,000) of the currently issued and outstanding Common Shares, will be deposited in escrow pursuant to the terms of an Escrow Agreement, as defined herein, and will be released from escrow in stages over a period of three years after the date of the Final Exchange Bulletin. See "Escrowed Securities".
- Risk Factors:** Investment in the Common Shares must be regarded as highly speculative due to the proposed nature of the Corporation's business and its present stage of development. The Corporation was only recently incorporated and has no active business or assets other than cash. It does not have a history of earnings, nor has it paid any dividends and will not generate earnings or pay dividends until at least after the Completion of the Qualifying Transaction. The Offering is only suitable to investors who are prepared to rely entirely on the directors and management of the Corporation and can afford to risk the loss of their entire investment. The directors and officers of the Corporation will only devote part of their time and attention to the affairs of the Corporation and there are potential conflicts of interests to which some of the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. Assuming completion of the Offering, an investor will suffer an immediate dilution of investment of 25% or \$0.05 per Common Share. There can be no assurance that an active and liquid market for the Corporation's Common Shares will develop and an investor may find it difficult to resell the Common Shares. Until Completion of the Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. The Corporation has only limited funds with which to identify and evaluate possible Qualifying Transactions and there can be no assurance that the CPC will be able to identify or complete a suitable Qualifying Transaction.
- The Qualifying Transaction may involve the acquisition of a business or assets located outside of Canada. It may therefore be difficult or impossible to effect service or notice to commence legal proceedings upon the directors, officers and experts outside of Canada and it may not be possible to enforce against such persons or companies judgments obtained in Canadian courts predicated upon the civil liability provisions applicable to securities laws in Canada. See "Business of the Corporation", "Risk Factors", "Dilution" and "Conflicts of Interest".

## CORPORATE STRUCTURE

Casablanca Capital Corp. (the "Corporation") was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on February 12, 2004. By Certificate of Amendment, issued on April 13, 2004, the Articles of Incorporation of the Corporation were amended to remove the private company restrictions previously applicable to the Corporation. As a result of the removal of such restrictions, the Articles no longer impose restrictions on: (i) the transfer of shares of the Corporation; (ii) the number of shareholders of the Corporation; or (iii) the Corporation's ability to make invitations to members of the public to subscribe for shares.

The registered office of the Corporation is located at Suite 1250, 639 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 0M9 and the head office of the Corporation is located at 8330 Woodbine Avenue, 5<sup>th</sup> Floor, Markham, Ontario L3R 9Y7.

## BUSINESS OF THE COMPANY

### Preliminary Expenses

Other than a \$21,050 deposit paid to the Agent (representing a corporate finance fee of \$16,050 (including GST) and a \$5,000 retainer for legal fees) \$5,350 (including GST) paid to the Exchange as a filing fee and \$5,000 in accounting fees, the Corporation has not incurred any expenses to date. However, certain of the offering proceeds will be utilized to satisfy the obligations of the Corporation related to the present offering, including the expenses of its auditors, its legal counsel and the fees of the Exchange and the Alberta, British Columbia and Ontario Securities Commissions and legal expenses. See "Use of Proceeds".

### Proposed Operations Until Completion of a Qualifying Transaction

The Corporation proposes to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction. Any proposed Qualifying Transaction must be accepted by the Exchange and, in the case of a Non Arm's Length Qualifying Transaction, is also subject to Majority of the Minority Approval in accordance with the CPC Policy. The Corporation has not conducted commercial operations. The Corporation currently intends to pursue a Qualifying Transaction in either the consumer products or health and fitness industry but there is no assurance that either of these will, in fact, be the business sector of a proposed Qualifying Transaction or of the Corporation following Completion of the Qualifying Transaction.

Until Completion of a Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. With the consent of the Exchange, this may include the raising of additional funds in order to finance an acquisition. Except as described under the headings "Private Placement for Cash", and "Restrictions on Use of Proceeds", the funds raised pursuant to this Offering and any subsequent financing will be utilized only for the identification and evaluation of potential Qualifying Transactions and not for any deposit, loan or direct investment in a potential acquisition.

Although the Corporation has commenced the process of identifying potential acquisitions with a view to completing the Qualifying Transaction, the Corporation has not yet entered into an Agreement in Principle.

### Geographical Restrictions of Operations

In accordance with the CPC Policy, except where the Resulting Issuer will be an oil and gas issuer or a mining issuer, the Significant Assets must be located in Canada or the United States.

### Method of Financing

The Corporation may use either cash, bank financing, the issuance of treasury shares or public financing of debt or equity, or a combination of the foregoing, for the purpose of financing its proposed Qualifying Transaction. **A Qualifying Transaction financed by the issue of treasury shares could result in a change in the control of the Corporation and may cause the shareholders' interest in the Corporation to be further diluted.**

### Criteria for a Qualifying Transaction

The board of directors of the Corporation must approve any proposed Qualifying Transaction. In exercising their powers and discharging their duties in relation to a proposed Qualifying Transaction, the directors will act honestly and in good faith with a

view to the best interests of the Corporation and will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **Shareholder Approval of a Qualifying Transaction**

Upon the Corporation reaching an Agreement in Principle, the Corporation must issue a comprehensive news release, at which time the Exchange generally will halt trading in the Corporation's Common Shares until the filing requirements of the Exchange have been satisfied as set forth under the heading "Trading Halts, Suspensions and Delisting". Within 75 days after issuance of such news release, the Corporation shall be required to submit for review to the Exchange either an information circular that complies with applicable corporate and securities laws or a filing statement that complies with Exchange requirements. An information circular must be submitted where there is a Non Arm's Length Qualifying Transaction or where shareholder approval is otherwise required. A filing statement must be submitted where the Qualifying Transaction is not a Non Arm's Length Qualifying Transaction or where shareholder approval is not otherwise required. The information circular or filing statement, as applicable, must contain prospectus level disclosure of the Target Corporation and the Corporation, assuming Completion of the Qualifying Transaction, and be prepared in accordance with the CPC Policy and Form 3B1/3B2. Upon acceptance by the Exchange, the Corporation must then either:

- (a) file the filing statement on SEDAR at least seven business days prior to closing of the Qualifying Transaction, and issue a news release which discloses the scheduled closing date for the Qualifying Transaction as well as the fact that the filing statement is available on SEDAR; or
- (b) mail the information circular and related proxy material to its shareholders in order to obtain the Majority of the Minority Approval of the Qualifying Transaction or other requisite approval, at a meeting of shareholders.

Unless waived by the Exchange, the Corporation will also be required to retain a Sponsor, who must be a member of the Exchange, and who will be required to submit to the Exchange a Sponsor Report prepared in accordance with the policies of the Exchange. The Corporation will no longer be considered to be a CPC upon the Exchange having issued the Final Exchange Bulletin. The Exchange will generally not issue the Final Exchange Bulletin until the Exchange has received:

- (i) in the case of a Non Arm's Length Qualifying Transaction, confirmation of Majority of Minority Approval of the Qualifying Transaction;
- (ii) confirmation of closing of the Qualifying Transaction; and
- (iii) all post-meeting or final documentation, as applicable, otherwise required to be filed with the Exchange pursuant to the CPC Policy.

Upon issuance of the Final Exchange Bulletin, the CPC Policy will generally cease to apply, with the exception of the escrow provisions of the CPC Policy and the restrictions in the CPC Policy precluding the Corporation from completing a reverse takeover for a period of one year from the Completion of the Qualifying Transaction.

### **Minimum Listing Requirements**

The Resulting Issuer must satisfy the Exchange's minimum listing requirements for the particular industry sector in either Tier 1 or Tier 2 as prescribed under the applicable policies of the Exchange.

### **Trading Halts, Suspension and Delisting**

The Exchange will generally halt trading in the Common Shares from the date of the public announcement of an Agreement in Principle until all filing requirements of the Exchange have been satisfied, which includes the submission of a Sponsorship Acknowledgment Form, where the Qualifying Transaction is subject to sponsorship. In addition, personal information forms for all individuals who may be directors, senior officers, promoters, or insiders of the Resulting Issuer must be filed with the Exchange and any preliminary background searches that the Exchange considers necessary or advisable, must also be completed, before the trading halt will be lifted by the Exchange.

Even if all filing requirements have been satisfied and preliminary background checks completed, the Exchange may continue or reinstate a halt in trading of the Common Shares for public policy reasons including:

- (a) the unacceptable nature of the business of the Resulting Issuer, or
- (b) the number of conditions precedent to, or the nature and number of deficiencies required to be resolved prior to, completion of the Qualifying Transaction, are so significant or numerous as to make it appear to the Exchange that the halt should be reinstated or continued.

A trading halt may also be imposed by the Exchange where the Corporation fails to file the supporting documents relating to the Qualifying Transaction within a period of 75 days after public announcement of the Agreement in Principle or if the CPC fails to file post-meeting or final documents, as applicable, within the time required. A trading halt may also be imposed if the Sponsor terminates its sponsorship.

The TSX-V may suspend from trading or delist the Common Shares of the Corporation where the Exchange has not issued a Final Exchange Bulletin to the CPC within 18 months of the date of listing. In the event that the Common Shares of the Corporation are delisted by the Exchange, within 90 days from the date of such delisting, the Corporation shall wind up and shall make a *pro rata* distribution of its remaining assets to its shareholders, unless shareholders, pursuant to a majority vote exclusive of the votes of Non Arm's Length Parties to the Corporation, determine to deal with the issuer or its remaining assets in some other manner.

### **Refusal of Qualifying Transaction**

The Exchange, in its sole discretion, may not accept a Qualifying Transaction where:

- (a) the Resulting Issuer fails to satisfy the applicable minimum listing requirements of the Exchange;
- (b) the aggregate number of securities of the Resulting Issuer owned, directly or indirectly, by:
  - (i) a member firm of the Exchange;
  - (ii) registrants, unregistered corporate finance professionals, employee shareholders and partners of such member firm; and
  - (iii) associates of any such person,collectively, would exceed 20% of the issued and outstanding securities of the Resulting Issuer;
- (c) the Resulting Issuer will be a financial institution, finance company, finance issuer or mutual fund, as defined in the securities legislation;
- (d) the majority of the directors and senior officers of the Resulting Issuer are not residents of Canada or the United States or are individuals who have not demonstrated positive association as directors or officers with public companies that are subject to a regulatory regime comparable to the companies listed on a Canadian exchange;
- (e) in the case of a Resulting Issuer, other than an oil and gas or mining issuer, the Qualifying Transaction involves the acquisition of Significant Assets, outside of Canada or the United States; or
- (f) notwithstanding the definition of a Qualifying Transaction, there is any other reason for denying acceptance of the Qualifying Transaction.

## **USE OF PROCEEDS**

### **Proceeds and Principal Purposes**

The gross proceeds to be received by the Corporation from the sale of the Common Shares offered by this prospectus will be \$200,000. The gross proceeds received by the Corporation from the sale of Common Shares prior to the date of this prospectus was \$100,000. From these aggregate gross proceeds of \$300,000 will be deducted the expenses and costs of this issue estimated in the aggregate, including legal, accounting, printing, regulatory fees and the Agent's commission to be approximately \$75,000.

The following indicates the principle uses to which the Corporation proposes to use the total funds available to it upon the completion of this Offering:

Cash proceeds raised prior to this Offering <sup>(1)</sup>	\$100,000
Expenses and costs relating to raising the cash proceeds <sup>(2)</sup>	Nil
Cash proceeds to be raised pursuant to this Offering <sup>(3)</sup>	\$200,000
Expenses and costs relating to the Offering (including listing fees, Agent's commission, legal fees, audit fees and expenses)	<u>\$75,000</u>
<b>Estimated funds available (on completion of the Offering)</b>	<b><u>\$225,000</u></b>
Estimated general and administrative expenses until Completion of a Qualifying Transaction	\$15,000 <sup>(4)</sup>
Funds available for identifying and evaluating assets or business prospects <sup>(3)</sup>	<u>\$210,000</u>
<b>Total net proceeds</b>	<b><u>\$225,000</u></b>

**Notes:**

- (1) See "Prior Sales".
- (2) No costs have been allocated towards the issuance of these shares. See the Corporation's balance sheet as at February 12, 2004.
- (3) In the event that the directors or officers exercise their options there will be available to the Corporation a maximum of an additional \$24,000, which will be added to the working capital of the Corporation. There is no assurance that any of these options will be exercised.
- (4) In the event that the Corporation enters into an Agreement in Principle prior to spending the entire \$15,000 on identifying and evaluating assets or businesses, the remaining funds may be used to finance or partially finance the acquisition of Significant Assets or for working capital after Completion of the Qualifying Transaction.

Until required for the Corporation's purposes, the proceeds will only be invested in securities of, or those guaranteed by, the Government of Canada or any Province or territory of Canada or the Government of the United States of America, in certificates of deposit or interest-bearing accounts of Canadian chartered banks, trust companies or credit unions.

The proceeds from this Offering and any prior sale of Common Shares, after deducting the expenses associated with this Offering, will only be sufficient to identify and evaluate a finite number of assets and businesses, and additional funds may be required to finance any acquisition to which the Corporation may commit.

**Permitted Use of Funds**

Until the Completion of the Qualifying Transaction and except as otherwise specifically provided by the CPC Policy and described in "Restrictions on Use of Proceeds", "Private Placements for Cash," and "Prohibited Payments to Related Parties", the gross proceeds realized from the sale of all securities issued by the Corporation will be used by the Corporation only to identify and evaluate businesses or assets and obtain shareholder approval for a proposed Qualifying Transaction.

The proceeds may be used for expenses incurred for the preparation of:

- (i) valuations or appraisals;
- (ii) business plans;
- (iii) feasibility studies and technical assessments;
- (iv) sponsorship reports;
- (v) engineering or geological reports;
- (vi) financial statements, including audited financial statements; and
- (vii) fees for legal and accounting services,

relating to the identification and evaluation of assets or businesses and, in the case of a Non Arm's Length Qualifying Transaction, the obtaining of shareholder approval for the Corporation's proposed Qualifying Transaction.

In addition, the CPC Policy provides that, with the prior acceptance of the Exchange, the Corporation may advance up to an aggregate of \$225,000 as a refundable deposit or secured loan by the Corporation to a Vendor or Target Company, as the case may be, for a proposed arm's length Qualifying Transaction that has been publicly announced at least 15 days prior to the date of such advance, provided that due diligence with respect to the Qualifying Transaction is well underway and either a Sponsor has been engaged or sponsorship has been waived. A maximum aggregate amount of \$25,000 may also be advanced as a non-

refundable deposit, unsecured deposit or advance to a Vendor or Target Company, as the case may be, to preserve assets without the prior acceptance of the Exchange.

### **Restrictions on Use of Proceeds**

Until Completion of a Qualifying Transaction, not more than the lesser of 30% of the gross proceeds from the sale of all securities issued by a CPC and \$210,000, may be used for purposes other than those described above. For greater certainty, expenditures which are not included as "Permitted Uses of Funds", listed above, include:

- (a) listing and filing fees (including SEDAR fees);
- (b) agents fees, costs and commissions;
- (c) other costs for the issuance of securities, (including legal, accounting and audit expenses) relating to the preparation and filing of this prospectus; and
- (d) administrative and general expenses of the Corporation, including:
  - (i) office supplies, office rent and related utilities;
  - (ii) printing costs (including the printing of this prospectus and share certificates);
  - (iii) equipment leases; and
  - (iv) fees for legal advice and audit expenses, other than those described above under "Permitted Use of Funds".

No proceeds will be used to acquire or lease a vehicle.

### **Private Placements for Cash**

After the closing of the Offering and until the Completion of the Qualifying Transaction, the Corporation will not issue any securities unless written acceptance of the Exchange is obtained before issuance. Prior to completion of the Qualifying Transaction, the Exchange generally will not accept a private placement by the Corporation where the gross proceeds raised from the issuance of securities both prior to and pursuant to the Offering, together with any proceeds anticipated to be raised upon closing of the private placement, will exceed \$2,000,000. The only securities issuable pursuant to such a private placement will be Common Shares. Subject to certain limited exceptions, any Common Shares issued pursuant to the private placement to Non Arm's Length Parties to the Corporation and to Principals of the Resulting Issuer will be subject to escrow.

### **Prohibited Payments to Non Arm's Length Parties**

Except as described under "Options to Purchase Securities" and "Restrictions on Use of Proceeds", the Corporation has not made, and until the Completion of the Qualifying Transaction will not make, any payment of any kind, directly or indirectly, to a Non Arm's Length Party to the Corporation or a Non Arm's Length Party to the Qualifying Transaction, or to a person engaged in investor relations activities, by any means, including:

- (a) remuneration, which includes but is not limited to salaries, consulting fees, management contract fees or directors' fees, finders' fees, loans, advances and bonuses; and
- (b) deposits and similar payments.

Further, no such payment will be made on or after the Completion of a Qualifying Transaction if such payment relates to services rendered or obligations incurred prior to or in connection with the Qualifying Transaction.

Notwithstanding the foregoing, but subject to the restrictions on use of proceeds set out above (see "Restrictions on Use of Proceeds"), the Corporation may reimburse a Non Arm's Length Party to the Corporation for reasonable expenses for office supplies, office rent and related utilities, equipment leases (excluding vehicle leases), and legal services (provided that neither the lawyer providing the legal services nor any member of the law firm providing the services is a promoter of the Corporation or in the case of a law firm, no member of the firm, owns greater than 10% of the outstanding Common Shares), and the Corporation may also reimburse a Non Arm's Length Party to the Corporation for reasonable out-of-pocket expenses incurred in pursuing the business of the Corporation described in "Permitted Use of Funds".

The foregoing restrictions on the use of proceeds and prohibitions on payments to Non Arm's Length Parties and persons engaged in investor relations activities continue to apply until the Completion of the Qualifying Transaction.

## **PLAN OF DISTRIBUTION**

### **Name of Agent and Agent's Compensation**

Pursuant to the Agency Agreement, the Corporation has appointed the Agent as its agent to offer for sale on a best efforts basis to the public 1,000,000 Common Shares as provided in this prospectus, at a price of \$0.20 per Common Share, for gross proceeds of \$200,000, subject to the terms and conditions in the Agency Agreement. The Agent will receive a commission of 10% of the aggregate gross proceeds from the sale of the Common Shares. In addition, the Corporation will pay to the Agent a corporate finance fee of \$15,000 plus GST and will pay the Agent's reasonable legal fees and expenses.

The Agent has agreed to use its best efforts to secure subscriptions for the Common Shares offered hereunder on behalf of the Corporation and may make co-brokerage arrangements with other investment dealers at no additional cost to the Corporation. The obligations of the Agent under the Agency Agreement may be terminated at its discretion on the basis of its assessment of the state of financial markets and may also be terminated on the occurrence of certain events as stated in the Agency Agreement.

### **Best Efforts Offering and Minimum Distribution**

The total Offering is of 1,000,000 Common Shares for total gross proceeds of \$200,000. Under the CPC Policy, no purchaser of the Common Shares is permitted to purchase more than 2% or 20,000 (\$4,000) of the total Common Shares in the Offering. In addition, the maximum number of Common Shares permitted to be purchased by that purchaser together with any Associates or Affiliates of that purchaser is 4% or 40,000 (\$8,000) of the total number of Common Shares under the Offering. The funds received from the Offering will be deposited with the Agent, and will not be released until a minimum of \$200,000 has been deposited. The total subscription must be raised within 90 days of the date a receipt for the prospectus is issued, or such other time as may be consented to by persons or companies who subscribed within that period, failing which the Agent will remit the funds collected to the original subscribers without interest or deduction.

### **Other Securities to be Distributed**

The Corporation also proposes to grant options to purchase 120,000 Common Shares to directors and officers in accordance with the policies of the Exchange which options are qualified for distribution under this prospectus.

### **Determination of Price**

The offering price of the Common Shares hereunder was determined by negotiation between the Corporation and the Agent.

### **Listing Application and Conditional Listing Approval**

The Corporation has applied to list its Common Shares on the Exchange. Listing will be subject to the Corporation fulfilling all the listing requirements of the Exchange.

### **Restrictions on the Agent**

The Agent has advised the Corporation that to the best of its knowledge and belief, neither it, nor any of its directors, officers, employees or contractors or any Associate or Affiliate of the foregoing:

- (i) has subscribed for Common Shares; or
- (ii) are permitted to subscribe for Common Shares pursuant to this distribution; and

until Completion of the Qualifying Transaction, the aggregate number of Common Shares permitted to be owned directly or indirectly by the Agent, or any of its directors, officers, employees or contractors or any Associate or Affiliate of the foregoing, is 20% of the issued and outstanding Common Shares exclusive of Common Shares reserved for issuance at a future date.

### **Restrictions on Trading**

Other than the initial distribution of the Common Shares pursuant to this prospectus and the grant of options to the directors and officers of the Corporation, no securities of the Corporation will be permitted to be issued during the period between the date a receipt for the preliminary prospectus is issued by the applicable securities regulatory authorities and the time the Common Shares are listed for trading on the Exchange, except subject to prior acceptance of the Exchange, where appropriate registration

and prospectus exemptions are available under securities legislation or where the applicable securities regulatory authorities grant a discretionary order.

## DESCRIPTION OF SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value, of which 1,000,000 Common Shares were issued and outstanding as fully paid and non-assessable as at the date of this prospectus, 1,000,000 Common Shares are reserved for issuance under this prospectus, 200,000 Common Shares will be reserved for issuance under a directors', officers', employees' and key consultants' stock option plan, subject to regulatory approval, of which 120,000 will be granted to directors and officers in the amounts set forth herein. The Corporation also has authorized for issuance an unlimited number of Preferred Shares, issuable in series, none of which have been issued. See "Options to Purchase Securities" and "Plan of Distribution".

### Common Shares

The holders of the Common Shares are entitled to receive notice of and attend any meeting of the Corporation's shareholders and are entitled to one vote for each Common Share held (except at meetings where only the holders of another class of shares are entitled to vote). The holders of the Common Shares are entitled to receive dividends, if, as and when declared by the Board of Directors of the Corporation and, subject to the prior satisfaction of all preferential rights to dividends attaching to all shares of other classes of the Corporation ranking in priority to the Common Shares in respect of dividends.

### Preferred Shares

The Preferred Shares may be issued from time to time in one or more series, each series consisting of a number of Preferred Shares as determined by the Board of Directors of the Corporation, who may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares. As at the date hereof, there are no Preferred Shares issued and outstanding. The Preferred Shares of each series shall, with respect to dividends, liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, rank on priority with the Preferred Shares of every other series, and shall be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Preferred Shares.

## CAPITALIZATION

	<u>Amount Authorized or Amount to be Authorized</u>	<u>Amount Outstanding as of February 12, 2004<sup>(1)</sup></u>	<u>Amount Outstanding as of the Date Hereof, Before Giving Effect to the Offering<sup>(1)</sup></u>	<u>Outstanding as at the Date Thereof, After Giving Effect to this Offering<sup>(2)(3)</sup></u>
Preferred Shares	Unlimited	--	--	--
Common Shares	Unlimited	\$100,000 (1,000,000 shs.)	\$100,000 (1,000,000 shs.)	\$300,000 (2,000,000 shs.)

### Notes:

- (1) As at February 12, 2004, the Corporation had not commenced commercial operations. As at February 12, 2004, the retained earnings (deficit) of the Corporation was nil. The Corporation has no long-term debt.
- (2) The Corporation will reserve an aggregate of 200,000 Common Shares for issuance under a directors', officers', employees' and key consultants' stock option plan, subject to regulatory approval, of which 120,000 will be granted to directors and officers in the amounts set forth herein. All such options will expire 5 years from the date of grant. See "Options to Purchase Securities."
- (3) Before deducting the expenses of the issuance of the Common Shares and expenses of the Offering, estimated to aggregate \$75,000.

## OPTIONS TO PURCHASE SECURITIES

The options to purchase 120,000 Common Shares to be granted after closing of this Offering to directors and officers are qualified for distribution pursuant to this prospectus.

The Corporation has adopted an incentive stock option plan (the "Option Plan"), which provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange's requirements, grant to directors, officers, employees and technical consultants to the Corporation, non-transferable options to purchase Common Shares, provided

that the number of Common Shares reserved for issuance, together with any options issued to Eligible Charitable Organizations, will not exceed 10% of the issued and outstanding Common Shares. Such options will be exercisable for a period of up to 5 years from the date of grant. The number of Common Shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding Common Shares, the number of Common Shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding Common Shares and the number of Common Shares reserved for issuance to persons employed to provide investor relations services will not exceed two percent (2%) of the issued and outstanding Common Shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Corporation, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Any Common Shares acquired pursuant to the exercise of options prior to the Completion of the Qualifying Transaction, must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued. See "Escrowed Securities".

Subject to regulatory approval, the Corporation intends to enter into stock option agreements with its directors and officers, once a receipt is issued for the prospectus, as follows:

	<u>Number of Common Shares Under Option</u>	<u>Exercise Price Per Common Share</u>	<u>Expiry Date</u>
Simon Serruya	100,000	\$0.20	5 years <sup>(1)</sup>
Tracy Graf	10,000	\$0.20	5 years <sup>(1)</sup>
Troy Graf	10,000	\$0.20	5 years <sup>(1)</sup>
<b>Total</b>	<b><u>120,000</u></b>		

**Note:**

- (1) The options will all vest immediately on the date of grant, namely the date on which a receipt is issued for the prospectus, and will expire five years from the date of grant.

## PRIOR SALES

Since the date of incorporation of the Corporation, 1,000,000 Common Shares have been issued as follows:

<u>Date</u>	<u>Number of Shares</u>	<u>Issue Price per Share</u>	<u>Aggregate Issue Price</u>	<u>Consideration Received</u>
February 12, 2004 <sup>(1)</sup>	1,000,000	\$0.10	\$100,000	Cash

**Note:**

- (1) These Common Shares will be held in escrow. See "Escrowed Securities".

## ESCROWED SECURITIES

### Securities Escrowed Prior to the Completion of the Qualifying Transaction

All of the 1,000,000 Common Shares issued prior to this Offering at a price below \$0.20 per Common Share and all Common Shares that may be acquired by Non Arm's Length Parties of the Corporation either under the Offering or otherwise prior to Completion of the Qualifying Transaction will be deposited with the Trustee under the Escrow Agreement.

All Common Shares acquired on exercise of stock options prior to the Completion of a Qualifying Transaction, must also be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

In addition, all Common Shares acquired in the secondary market prior to the Completion of a Qualifying Transaction by any person or company who becomes a Control Person are required to be deposited in escrow. Subject to certain exemptions permitted by the Exchange, all securities of the Corporation held by Principals of the Resulting Issuer, will also be escrowed.

The following table sets out, as at the date hereof, the number of Common Shares, that are to be held in escrow.

<b>Name and Municipality of Residence of Shareholder</b>	<b>Common Shares</b>	<b>Number of Shares Held in Escrow</b>	<b>Percentage of Shares Prior to Giving Effect to the Offering</b>	<b>Percentage of Shares After Giving Effect to the Offering</b>
Simon Serruya Toronto, Ontario	900,000	900,000	90%	45%
Tracy Graf Sherwood Park, Alberta	50,000	50,000	5%	2.5%
Troy Graf Edmonton, Alberta	50,000	50,000	5%	2.5%

Where the Common Shares of the Corporation which are required to be held in escrow are held by a non-individual (a "holding company"), each holding company pursuant to the Escrow Agreement, has agreed, or will agree, not to carry out any transactions during the currency of the Escrow Agreement that would result in a change of control of the holding company, without the consent of the Exchange. Any holding company must sign an undertaking to the Exchange that, to the extent reasonably possible, it will not permit or authorize any issuance of securities or transfer of securities which could reasonably result in a change of control of the holding company. In addition, the Exchange may require an undertaking from any control person of the holding company not to transfer the shares of that company.

Under the Escrow Agreement, 10% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

If the Resulting Issuer meets the Exchange's Tier 1 minimum listing requirements either at the time the Final Exchange Bulletin is issued or subsequently, the release of the escrowed Common Shares will be accelerated. An accelerated escrow release will not commence until the Resulting Issuer has made application to the Exchange for listing as a Tier 1 issuer and the Exchange has issued a bulletin that announces the acceptance for listing of the Resulting Issuer on Tier 1 of the Exchange.

The Exchange's prior consent must be obtained before a transfer within escrow of escrowed Common Shares. Generally, the Exchange will only permit a transfer within escrow to be made to incoming Principals in connection with a proposed Qualifying Transaction.

If a Final Exchange Bulletin is not issued, the escrowed Common Shares will not be released. Under the Escrow Agreement each Non Arm's Length Party to the Corporation who holds escrowed Common Shares acquired at a price below the Offering price under this prospectus has irrevocably authorized and directed the Trustee to immediately cancel all of those escrowed Common Shares upon the issuance by the Exchange of a bulletin delisting the Common Shares.

### **Escrowed Securities on Qualifying Transaction**

Generally, if at least 75% of the securities issued pursuant to the Qualifying Transaction are "Value Securities", then all the securities issued to Principals of the Resulting Issuer pursuant to the Qualifying Transaction will be deposited into escrow pursuant to a value security agreement (the "Value Security Escrow Agreement"). "Value Securities" are securities issued pursuant to a transaction, for which the deemed value of the securities at least equals the value ascribed to the asset, using a valuation method acceptable to the Exchange, or securities that are otherwise determined by the Exchange to be Value Securities and required to be placed in escrow under a Value Security Escrow Agreement. However, if at least 75% of the securities issued pursuant to the Qualifying Transaction are not Value Securities, then all securities issued pursuant to the Qualifying Transaction will be deposited into a surplus security escrow agreement (a "Surplus Security Escrow Agreement").

The principal distinction between a Value Security Escrow Agreement and a Surplus Security Escrow Agreement is the time period for release of securities from escrow. In the case of a Resulting Issuer that will be a Tier 2 issuer when the Final Exchange Bulletin is issued, the Value Security Escrow Agreement provides for a three year escrow release mechanism with 10% of the escrowed securities being releasable at the time of the Final Exchange Bulletin, and 15% of the escrowed securities being releasable every 6 months thereafter, on each of the 6, 12, 18, 24, 30 and 36 month anniversaries of the Final Exchange Bulletin. In the case of a Resulting Issuer that will be a Tier 2 issuer, when the Final Exchange Bulletin is issued, the Surplus Security Escrow Agreement provides for a six year escrow release mechanism with:

- (a) 5% of the escrowed securities being releasable in 6 month intervals on each of the 6, 12, 18 and 24 month anniversaries of the Final Exchange Bulletin; and
- (b) 10% of the escrowed securities being releasable in 6 month intervals on each of the 30, 36, 42, 48, 54, 60, 66 and 72 months after the Final Exchange Bulletin.

In the case of a Resulting Issuer that will be a Tier 1 issuer when the Final Exchange Bulletin is issued, the Value Security Escrow Agreement provides for an 18 month escrow release mechanism with 25% of the escrowed securities being releasable at the time of the Final Exchange Bulletin, with 25% of the escrowed securities being releasable every 6 months thereafter. In the case of a Resulting Issuer that will be a Tier 1 issuer when the Final Exchange Bulletin is issued, the Surplus Security Escrow Agreement provides for a three year escrow release mechanism with:

- (a) 10% of the escrowed securities being releasable upon the issuance of the Final Exchange Bulletin; and
- (b) 15% of the escrowed securities being releasable in 6 month intervals on each of the 6, 12, 18, 24, 30 and 36 months after the Final Exchange Bulletin.

Securities issued pursuant to a private placement to Principals of the Corporation and the proposed Resulting Issuer will generally be exempt from escrow requirements where:

- (a) the private placement is announced at least five trading days after the news release announcing the Agreement in Principle and the pricing for the financing is at not less than the discounted market price, as determined in accordance with the policies of the Exchange; or
- (b) the private placement is announced concurrently with the Agreement in Principle and
  - (i) at least 75% of the proceeds from the private placement are not from Principals of the Corporation or the proposed Resulting Issuer,
  - (ii) if subscribers, other than Principals of the Corporation or the proposed Resulting Issuer, will obtain securities subject to hold periods, then in addition to any resale restrictions under applicable securities legislation, any securities issued to such Principals will be subject to a four month hold period; and
  - (iii) none of the proceeds of the private placement are allocated to pay compensation or to settle indebtedness owing to Principals of the Resulting Issuer.

### PRINCIPAL SHAREHOLDER

The following table lists the holdings of those persons who own 10% or more of the issued and outstanding Common Shares of the Corporation as at the date hereof:

Name and Municipality of Residence	Type of Ownership	Number of Common Shares <sup>(1)</sup>	Percentage of Common Shares Owned Before Offering	Percentage of Common Shares Owned After Offering
Simon Serruya Toronto, Ontario	Registered and Beneficial	900,000	90%	45%

**Note:**

- (1) In addition, Mr. Serruya will be granted an aggregate of 100,000 stock options to purchase Common Shares upon the issue by the applicable securities regulatory authorities of a receipt for the final prospectus. See "Options to Purchase Securities". Assuming exercise of all options, Mr. Simon Serruya would own 89.3% before the completion of the Offering and 47.2% after the completion of the Offering.

## DIRECTORS, OFFICERS AND PROMOTERS

The following are the names and municipalities of residence of the directors, officers and promoters of the Corporation, their positions and offices with the Corporation and their principal occupations during the last five years.

Name and Municipality of Residence	Age	Position Held	Principal Occupation
Simon Serruya <sup>(1)</sup> Toronto, Ontario	33	President, Chief Financial Officer, Secretary, Director and Promoter	Mr. Serruya manages new business development for Yogen Fruz Canada Inc. In such capacity, Mr. Serruya is responsible for sourcing new products and other sources of revenue. He also manages the franchise and construction divisions of Yogen Fruz Canada Inc.
Tracy Graf <sup>(1)</sup> Sherwood Park, Alberta	40	Director	President, Chief Executive Officer and Trustee, Carfinco Income Fund from November 2002 to present; prior thereto, President and a Director of Carfinco Inc. from November 1998 to November 2002. <sup>(2)</sup>
Troy Graf <sup>(1)</sup> Edmonton, Alberta	33	Director	Chief Financial Officer, Carfinco Income Fund from November 2002 to present; prior thereto, Chief Financial Officer of Carfinco Inc. from November 1998 to November 2002. <sup>(2)</sup>

**Note:**

- (1) Member of the Audit Committee.
- (2) In May 1997, Carfinco Inc. became listed on CDN. In September 2000, Carfinco Inc. became listed on the CDNX (as it then was). In November 2002, Carfinco Inc. converted into Carfinco Income Fund, the units of which became listed on the TSX-V. Carfinco Income Fund is listed on the TSX-V under the symbol "CFN.UN".

All three of the directors currently have employment outside of the Corporation. Each of the directors of the Corporation has agreed to devote as much of his time to the business and affairs of the Corporation as necessary to complete the Corporation's Qualifying Transaction. It is expected that each of the officers and directors of the Corporation will devote approximately 10% of their time, respectively, to the business and affairs of the Corporation. The directors and officers are engaged and will continue to be engaged in the search for property or business prospects on behalf of themselves and others.

The directors and officers of the Corporation, and their Associates and Affiliates, as a group, beneficially own or control, directly or indirectly, 1,000,000 Common Shares or 100% of the issued and outstanding Common Shares before completion of the Offering. After giving effect to this Offering, such holdings will represent approximately 50% of the outstanding Common Shares. In addition to the foregoing, if the directors and officers of the Corporation were to exercise the options to purchase 120,000 Common Shares proposed to be issued to them under the Corporation's stock option plan, subject to regulatory approval, such individuals, as a group, would beneficially own or control, directly or indirectly, 1,120,000 Common Shares, representing approximately 52.8% of the outstanding Common Shares after giving effect to the Offering.

The following is a brief description of the background of the key management, directors and the promoter of the Corporation:

Name and Municipality of Residence	Office	Principal Occupation
Simon Serruya <sup>(1)</sup> Toronto, Ontario	President, Chief Financial Officer, Secretary, Director and Promoter	Mr. Serruya manages new business development for Yogen Fruz Canada Inc. In such capacity, Mr. Serruya is responsible for sourcing new products and other sources of revenue. He also manages the franchise and construction divisions of Yogen Fruz Canada Inc.
Tracy Graf <sup>(1)</sup> Sherwood Park, Alberta	Director	President, Chief Executive Officer and Trustee, Carfinco Income Fund, a publicly traded income fund in the business of providing specialty consumer financing for vehicle purchases, since November 2002. Mr. Graf was the President and a Director of Carfinco Inc. from November 1998 to November 2002. Mr. Graf is responsible for all aspects of Carfinco Income Fund's business, ranging from overall strategy to day-to-day business operations. Mr. Graf has been a director of Carfinco Inc. since December 1996. <sup>(2)</sup>

<b>Name and Municipality of Residence</b>	<b>Office</b>	<b>Principal Occupation</b>
Troy Graf <sup>(1)</sup> Edmonton, Alberta	Director	Chief Financial Officer, Carfinco Income Fund, a publicly traded income fund in the business of providing specialty consumer financing for vehicle purchases, since November 2002. Mr. Graf is responsible for all accounting, audit, public reporting and management information systems for the business of Carfinco Income Fund. Mr. Graf was the Chief Financial Officer of Carfinco Inc. from November 1998 to November 2002. <sup>(2)</sup> Mr. Graf has been a chartered accountant since October 31, 1998.

**Notes:**

- (1) Directors who are members of the Corporation's audit committee.
- (2) In May 1997, Carfinco Inc. became listed on CDN. In September 2000, Carfinco Inc. became listed on the CDNX (as it then was). In November 2002, Carfinco Inc. converted into Carfinco Income Fund, the units of which became listed on the TSX-V. Carfinco Income Fund is listed on the TSX-V under the symbol "CFN.UN".
- (3) The officers and directors will devote such time and expertise as will be required by the Corporation.

**Qualification Requirements of the CPC Policy**

In addition to any other requirements of the Exchange, the Exchange expects management of the Corporation to meet a high management standard. The directors and officers of the Corporation, on a collective basis, possess the appropriate experience, qualifications and history to be capable of identifying, investigating and acquiring a Significant Asset.

**Other Reporting Issuer Experience**

The following table sets out the directors, officers and promoter(s) of the Corporation that are, or have been within the last five years, directors, officers or promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction:

<b>Name</b>	<b>Name of Reporting Issuer</b>	<b>Position</b>	<b>Exchange</b>	<b>From</b>	<b>To</b>
Simon Serruya	Carfinco Income Fund	Director	TSX-V <sup>(1)</sup>	11/02	Present
	Coolbrands International Incorporated	Director	TSX	02/92	03/96
	Carfinco Inc.	Director	CDN/TSX-V <sup>(2)</sup>	05/97	11/02
Tracy Graf	Carfinco Income Fund	Officer and Trustee	TSX-V <sup>(1)</sup>	11/02	Present
	Carfinco Inc.	Director and Officer	CDN/TSX-V <sup>(2)</sup>	12/96	11/02
Troy Graf	Carfinco Income Fund	Officer	TSX-V <sup>(1)</sup>	11/02	Present
	Carfinco Inc.	Officer	CDN/TSX-V <sup>(2)</sup>	11/98	11/02

**Notes:**

- (1) In November 2002, Carfinco Inc. converted into Carfinco Income Fund, the units of which became listed on the TSX-V. Carfinco Income Fund is listed on the TSX-V under the symbol "CFN.UN".
- (2) In May 1997, Carfinco Inc. became listed on CDN. In September 2000, Carfinco Inc. became listed on the CDNX (as it then was).

**Corporate Cease Trade Orders or Bankruptcies**

No director, officer or promoter of the Corporation has, within the last ten years, been a director, officer or promoter of any reporting issuer that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the company access to any statutory exemption for a period of more than 30 consecutive days or was declared a bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that issuer.

**Penalties or Sanctions**

No director, officer or promoter of the Corporation, within the last 10 years, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body or self regulatory body that would be likely to be considered important to a reasonable investor making an investment decision relating to trading in securities, promotion or management of a publicly traded issuer or theft or fraud.

## Personal Bankruptcies

No director, officer or promoter of the Corporation, or a shareholder holding sufficient securities of the Corporation to affect materially the control of the Corporation, or a personal holding company of any such persons, has, within the 10 years preceding the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

## Conflicts of Interest

There are potential conflicts of interest to which some of the directors, officers, insiders and promoters of the Corporation will be subject in connection with the operations of the Corporation. Some of the directors, officers, insiders and promoters are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the search by the Corporation for businesses or assets in order to close a Qualifying Transaction. Accordingly, situations may arise where some or all of the directors, officers, insiders and promoters will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies as provided under the *Business Corporations Act* (Alberta).

## EXECUTIVE COMPENSATION

Except as set out below or otherwise disclosed in this prospectus, prior to Completion of a Qualifying Transaction, no payment of any kind has been made, or will be made, directly or indirectly, by the Corporation to a Non Arm's Length Party to the Corporation or a Non Arm's Length Party to the Qualifying Transaction, or to any person engaged in investor relations activities in respect of the securities of the Corporation or any Resulting Issuer by any means, including:

- (a) remuneration, which includes but is not limited to:
  - (i) salaries;
  - (ii) consulting fees;
  - (iii) management contract fees or directors' fees;
  - (iv) finders fees;
  - (v) loans, advances, bonuses; and
- (b) deposits and similar payments.

However, subject to the restrictions on use of proceeds described herein (see "Restrictions on Use of Proceeds") the Corporation may reimburse Non Arm's Length Parties for the Corporation's reasonable allocation of rent, secretarial services and other general administrative expenses, at fair market value ("Permitted Reimbursement"). However, there have been no such reimbursements since incorporation of the Corporation. No reimbursement may be made for any payment made to lease or buy a vehicle.

The directors and officers of the Corporation will also be granted stock options. See "Options to Purchase Securities".

Following the Completion of the Qualifying Transaction, it is anticipated that the Corporation shall pay compensation to its directors and officers. However, no payment, other than the Permitted Reimbursements, will be made by the Corporation or by any party on behalf of the Corporation, after Completion of the Qualifying Transaction, if the payment relates to services rendered or obligations incurred or in connection with the Qualifying Transaction.

## DILUTION

Purchasers of Common Shares under this prospectus will suffer an immediate dilution of 25% or \$0.05 per Common Share on the basis of there being 2,000,000 Common Shares of the Corporation issued and outstanding following completion of this Offering. Dilution has been computed on the basis of total gross proceeds to be raised by this prospectus and from sales of securities prior to the filing of this prospectus, without deduction of commissions or related expenses incurred by the Corporation, as set forth below:

Gross proceeds of prior share issues	\$100,000
Gross proceeds of this Offering	<u>\$200,000</u>
Total gross proceeds after this Offering	<u>\$300,000</u>
Offering price per share	\$0.20
Gross proceeds per share after this Offering	<u>\$0.15</u>
Dilution per share to subscriber	<u>\$0.05</u>
Percentage of dilution in relation to offering price	<u>25%</u>

## RISK FACTORS

An investment in the securities offered hereunder is speculative and involves a high degree of risk. In addition to the other information contained in this prospectus, prospectus investors should carefully consider the following risk factors which may have a material adverse effect on the Corporation's business, financial condition or results of operations.

1. The Corporation was only recently incorporated, has not commenced commercial operations and has no assets other than cash. It has no history of earnings, and shall not generate earnings or pay dividends until at least after Completion of the Qualifying Transaction.
2. Investment in the Common Shares offered by the prospectus is highly speculative given the proposed nature of the Corporation's business and its present stage of development.
3. The directors and officers of the Corporation will only devote a portion of their time to the business and affairs of the Corporation and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time. The success of the Corporation is dependent on the efforts and abilities of its directors and officers, the loss of any of which could have a material adverse affect on the Corporation's prospects.
4. Assuming completion of the Offering, an investor will suffer an immediate dilution to its investment of 25% or \$0.05 per Common Share.
5. There can be no assurance that an active and liquid market for the Common Shares will develop and an investor may find it difficult to resell its Common Shares.
6. Until Completion of a Qualifying Transaction, the Corporation is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions.
7. The common shares of a CPC may be suspended from trading or delisted by the Exchange where a CPC has failed to complete a Qualifying Transaction within 18 months of the date of listing. Further, regulatory authorities may issue an interim cease trade order against a CPC's securities if the common shares of the CPC are suspended from trading on the Exchange. In addition, delisting of the common shares of a CPC will result in the cancellation of all of the common shares owned by insiders issued prior to the CPC's initial public offering. In the event that the Common Shares owned by insiders of the Corporation are cancelled, the Corporation may be unable to retain its directors and officers, which could have a material adverse affect on the Corporation's prospects.
8. The Corporation has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Corporation will be able to identify a suitable Qualifying Transaction.
9. Even if a proposed Qualifying Transaction is identified, there can be no assurance that the Corporation will be able to successfully complete the transaction.
10. Completion of a Qualifying Transaction is subject to a number of conditions including acceptance by the Exchange and, in the case of a Non Arm's Length Qualifying Transaction, Majority of the Minority Approval.
11. Unless the shareholder has the right to dissent and be paid fair value in accordance with applicable corporate or other law, a shareholder who votes against a proposed Non Arm's Length Qualifying Transaction for which Majority of the Minority Approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Corporation of fair value for the Common Shares.
12. Upon public announcement of a proposed Qualifying Transaction, trading in the Common Shares will be halted and will remain halted for an indefinite period of time, typically until a Sponsor has been retained and certain preliminary reviews have been conducted. The Common Shares will be reinstated to trading before the Exchange has reviewed the transaction and before the Sponsor has completed its full review. Reinstatement to trading provides no assurance with respect to the merits of the transaction or the likelihood of the Corporation completing the proposed Qualifying Transaction.

13. Trading in the Common Shares may be halted at other times for other reasons, including for failure by the Corporation to submit documents to the Exchange in the time periods required.
14. The Exchange will generally suspend trading in the Common Shares or delist the Corporation in the event that the Exchange has not issued a Final Exchange Bulletin within 18 months from the date of listing.
15. Neither the Exchange nor any securities regulatory authority passes upon the merits of the proposed Qualifying Transaction.
16. In the event that management of the Corporation resides outside of Canada or the Corporation identifies a foreign business as a proposed Qualifying Transaction, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts.
17. The Qualifying Transaction may be financed in all or part by the issuance of additional securities by the Corporation and this may result in further dilution to the investor, which dilution may be significant and which may also result in a change of control of the Corporation.
18. Subject to prior Exchange acceptance, up to an aggregate of \$225,000 may be advanced by the Corporation as a refundable deposit or secured loan by the Corporation to a Vendor or Target Company, as the case may be, for a proposed arm's length Qualifying Transaction. A maximum aggregate amount of \$25,000 may also be advanced as a non-refundable deposit, unsecured deposit or advance to a Vendor or Target Company, as the case may be, to preserve assets without the prior acceptance of the Exchange. There can be no assurance that the Corporation will be able to recover any such advances or deposits, if made.

**As a result of these factors, this Offering is only suitable to investors who are willing to rely solely on management of the Corporation and who can afford to lose their entire investment and those investors who are not prepared to do so should not invest in these securities. See "Business of the Corporation", "Directors, Officers and Promoters", "Dilution", "Conflicts of Interest" and "Use of Proceeds".**

## **LEGAL PROCEEDINGS**

To management's knowledge, there are no existing or contemplated legal proceedings material to the Corporation to which the Corporation is a party.

## **RELATIONSHIP BETWEEN THE CORPORATION AND THE AGENT**

The Corporation is not a related or connected party (as such terms are defined in National Instrument 33-105 Underwriter Conflicts) to the Agent.

## **RELATIONSHIP BETWEEN THE CORPORATION AND PROFESSIONAL PERSONS**

Certain legal matters relating to this Offering will be passed upon by TingleMerrett LLP, Calgary, Alberta, on behalf of the Corporation, and by Gary M. Sugar, Barrister and Solicitor, Toronto, Ontario on behalf of the Agent. No Person whose profession or business gives authority to a statement made by such Person and who is named in this prospectus has received or shall receive a direct or indirect interest in the property of the Corporation or any Associate or Affiliate of the Corporation. As at the date hereof, the aforementioned Persons beneficially own, directly or indirectly, no securities of the Corporation or its Associates or Affiliates. In addition, none of the aforementioned Persons nor any director, officer or employee of any of the aforementioned Persons, is or is expected to be elected, appointed or employed as a director, senior officer or employee of the Corporation or an Associate or Affiliate of the Corporation, or a Promoter of the Corporation or of an Associate or Affiliate of the Corporation.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of the Corporation are Kraft, Berger, Grill, Schwartz, Cohen & March LLP, Chartered Accountants, at 3160 Steeles Avenue East, Third Floor, Markham, Ontario L3R 3Y2.

Equity Transfer Services Inc. through its principal office in Toronto, Ontario at Suite 420, 120 Adelaide Street West, Toronto, Ontario M5H 4C3, is the transfer agent and registrar for the Common Shares.

## **MATERIAL CONTRACTS**

Other than contracts entered into in the ordinary course of business or as set forth herein, the Corporation has not entered into any material contracts prior to the date hereof except:

- (a) the Agency Agreement referred to under "Plan of Distribution";
- (b) the Escrow Agreement referred to under "Escrowed Securities";
- (c) the Transfer Agent and Registrarship Agreement dated April 14, 2004 between the Corporation and Equity Transfer Services Inc.; and
- (d) the Stock Option Plan dated February 12, 2004 referred to under "Options to Purchase Securities".

Copies of these agreements will be available for inspection at the registered office of the Corporation, #1250, 639 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 0M9, during ordinary business hours while the securities offered by this prospectus are in the course of distribution and for a period of thirty (30) days thereafter. Copies of these agreements are also available for inspection at the offices of the Alberta Securities Commission at any time during normal business hours and are available on SEDAR.

## **OTHER MATERIAL FACTS**

To management's knowledge, there are no other material facts about the securities being distributed that are not otherwise disclosed in this prospectus, or are necessary in order for the prospectus to contain full, true and plain disclosure of all material facts relating to the securities being distributed.

## **DIVIDEND POLICY**

To date, the Corporation has not paid any dividends on its outstanding Common Shares. The future payment of dividends will be dependent upon the financial requirements of the Corporation to fund further growth, financial condition of the Corporation and other factors which the board of directors of the Corporation may consider in the circumstances. It is not contemplated that any dividends will be paid in the immediate or foreseeable future.

## **PROMOTER**

Simon Serruya may be considered to be the promoter of the Corporation in that he took the initiative in founding and organizing the Corporation. See also "Prior Sales", "Principal Shareholder" and "Options to Purchase Securities".

## **PURCHASER'S STATUTORY RIGHTS OF WITHDRAWAL AND RECISSION**

Securities legislation in the Provinces of Alberta, British Columbia and Ontario provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In the Provinces of Alberta, British Columbia and Ontario, the securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the relevant securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

## AUDITOR'S CONSENT

We have read the prospectus of Casablanca Capital Corp. (the "Corporation") dated April 14, 2004 relating to an offering of a minimum of 1,000,000 Common Shares. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the directors of the Corporation on the balance sheet of the Corporation as at February 12, 2004. Our report is dated February 17, 2004, except for note 3, which is dated April 14, 2004.

Markham, Ontario  
April 14, 2004

*"Kraft, Berger, Grill, Schwartz, Cohen & March LLP"*  
Chartered Accountants

**CASABLANCA CAPITAL CORP.**

**BALANCE SHEET**

**FEBRUARY 12, 2004**

**CASABLANCA CAPITAL CORP.**

**FEBRUARY 12, 2004**

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# Kraft, Berger, Grill, Schwartz, Cohen & March LLP

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CHARTERED ACCOUNTANTS

3160 STEELES AVENUE EAST SUITE 300 MARKHAM ONTARIO L3R 3Y2 TEL (905) 475-2222 1-888-563-6868 FAX (905) 475-9360 E-Mail: accountants@kbgca.com

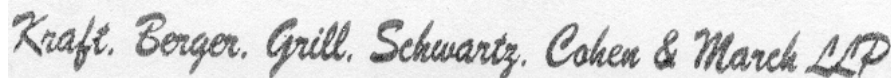
## AUDITORS' REPORT

To the Directors of  
**CASABLANCA CAPITAL CORP.**

We have audited the balance sheet of **CASABLANCA CAPITAL CORP.** as at February 12, 2004. This balance sheet is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this balance sheet presents fairly, in all material respects, the financial position of the company as at February 12, 2004 in accordance with Canadian generally accepted accounting principles.



**KRAFT, BERGER, GRILL, SCHWARTZ, COHEN & MARCH LLP**  
Chartered Accountants

Markham, Ontario  
February 17, 2004, except for Note 3, which is dated April 14, 2004

CASABLANCA CAPITAL CORP.

BALANCE SHEET  
FEBRUARY 12, 2004

ASSETS

CURRENT

Cash

\$ 100,000

LIABILITIES

LIABILITIES

\$ -

SHAREHOLDERS' EQUITY

CAPITAL STOCK

AUTHORIZED

Unlimited Preferred shares, issuable in series, terms to be fixed by the  
Board of Directors

Unlimited Common shares

ISSUED

1,000,000 Common shares

100,000

\$ 100,000

See accompanying notes to balance sheet.

APPROVED ON BEHALF OF THE BOARD:

"Tracy Graf" Director

"Troy Graf" Director

**CASABLANCA CAPITAL CORP.****NOTES TO BALANCE SHEET****FEBRUARY 12, 2004****1. INCORPORATION**

Casablanca Capital Corp. (the "Corporation") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on February 12, 2004 and is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange. The Corporation has no assets other than cash and proposes to identify and evaluate potential acquisitions or businesses in Canada, and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of regulatory approval and, if necessary, shareholder approval.

The proposed business of the Corporation involves a high degree of risk and there is no assurance that the Corporation will identify an appropriate business for acquisition or investment and even if so identified and warranted, it may not be able to finance such acquisition or investment. Additional funds may be required to enable the Corporation to pursue such an initiative and the Corporation may be unable to obtain such financing on terms which are satisfactory to it. Further, there is no assurance that any business acquired will be profitable.

The Corporation has not commenced operations at the balance sheet date. Accordingly, statements of earnings, retained earnings and cash flows have not been prepared. In addition, at the balance sheet date, the Corporation had not accrued any costs or expenses associated with the incorporation of the Corporation or the initial issuance of shares.

**2. SHARE CAPITAL****AUTHORIZED**

Unlimited Preferred shares, issuable in series, terms to be fixed by the Board of Directors.  
Shares not to be issued until the completion of Qualifying Transaction.

Unlimited Common shares

**ISSUED**

1,000,000 Common shares \$ 100,000

All the currently issued and outstanding Common Shares are in escrow pursuant to the terms of an Escrow Agreement and will be released from escrow in stages over a period of three years from the date of acceptance by the TSX Venture Exchange of the Qualifying Transaction.

The Corporation has established a stock option plan for the benefit of directors, officers and employees of and consultants and service providers to the Corporation. The number of shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Once the receipt is issued for a prospectus (Note 3), the Corporation will grant an aggregate of 120,000 options to its directors and officers to purchase common shares which may be exercised from issuance at a price of \$0.20 per share for a period of five years from the date of grant. The stock option plan and the grant of options thereunder are subject to regulatory approval and the Escrow Agreement.

**3. SUBSEQUENT EVENT**

Pursuant to a prospectus filed with the Alberta, British Columbia and Ontario Securities Commission dated April 14, 2004 and an Agency Agreement dated April 14, 2004, the Corporation is offering 1,000,000 common shares at \$0.20 per share to the public. The cost of the issue, including the agent's commission of \$20,000, its corporate finance fee of \$15,000 (plus GST) and expenses, the listing fee and other related expenses of the Offering are estimated to be approximately \$75,000.

## CERTIFICATES

Dated: April 14, 2004

### CERTIFICATE OF THE CORPORATION

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (Alberta), Part 9 of the *Securities Act* (British Columbia) and Part XV of the *Securities Act* (Ontario) and the regulations thereunder.

#### CASABLANCA CAPITAL CORP.

(Signed) "*Simon Serruya*"  
Simon Serruya  
President, Chief Financial Officer and Secretary

#### ON BEHALF OF THE BOARD

(Signed) "*Tracy Graf*"  
Tracy Graf  
Director

(Signed) "*Troy Graf*"  
Troy Graf  
Director

### CERTIFICATE OF THE PROMOTER

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (Alberta), Part 9 of the *Securities Act* (British Columbia) and Part XV of the *Securities Act* (Ontario) and regulations thereunder.

(Signed) "*Simon Serruya*"  
Simon Serruya

## **CERTIFICATE OF THE AGENT**

Dated: April 14, 2004

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (Alberta), Part 9 of the *Securities Act* (British Columbia) and Part XV of the *Securities Act* (Ontario) and the regulations thereunder.

### **OCTAGON CAPITAL CORPORATION**

(Signed) "*David Mitchell*"  
David Mitchell