Guide to going public in Canada
Are you ready? We are.
For the most up-to-date information about going public in Canada, visit ey.com/ca/goingpublic.

Contents

Considering an IPO? 2
Milestones to map your IPO value journey 4
Executing the IPO 6
Other issues to consider 12
After the IPO 14
Keeping your options open: alternatives to an IPO 18
Appendix 20

This publication contains information in summary form, current as of the date of publication, and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for professional advice. Before taking any particular course of action, contact Ernst & Young or another professional advisor to discuss these matters in the context of your particular circumstances. We accept no responsibility for any loss or damage occasioned by your reliance on information contained in this publication.
Your next big step – into a world of great potential

For fast-growing private companies seeking to raise capital, an initial public offering, or IPO, can be an excellent way to fund growth. A successful IPO can take your business to the next stage in its growth journey. But deciding when and how to go public isn’t easy.

We can help.

With the capital markets increasingly global, your options about where to take your IPO are widening all the time. The costs, regulations, processes and expectations around an IPO can change from one market to the next.

At EY, we’re committed to doing our part in building a better working world. And because entrepreneurs are a big part of the world’s future, we provide the guidance and support to help you achieve your growth goals. We’ve worked with top companies considering their options for funding for growth, including a public listing. In our extensive research to identify critical IPO success factors, we’ve found that companies with successful IPOs engage in three essential practices:

• Approach the IPO as a transformational process – not just a single financing event or the endgame
• Begin to act and operate as a public company at least one year before going public
• Outperform the competition on key performance measures – before, during and after the IPO

In this document, which is based on our insights gained through years of guiding private companies in their IPO journey, we outline some important factors to consider and measures to prepare your company for going public.
Considering an IPO?

An IPO can offer great benefits and opportunities. Companies that have completed a successful IPO know the process is truly a metamorphosis – a series of planned, pervasive changes undertaken to achieve long-term objectives.

To position your company to reap the benefits, you need to make sure you know how to prepare for this transformational transaction and manage a newly public company. Evaluate your progress in readying your organization for one of the most significant transactions it will ever undertake – and for an exciting new phase of corporate life in the public realm.

### How prepared are you?

<table>
<thead>
<tr>
<th>1. Preparing for the IPO value journey</th>
<th>√ Not ready</th>
<th>√ Making progress</th>
<th>√ Ready for the IPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation is critical. Successful IPO candidates often spend two years or more building business processes and infrastructure, recruiting executive and advisory talent, getting in front of financial and reporting issues, and mustering the essential commitment of the board of directors to go public.</td>
<td>• Have you developed a formal, comprehensive written plan and timeline?</td>
<td>• Has your organization begun acting like a public company?</td>
<td>• Are you actively addressing the four functional phases of the IPO preparation process: due diligence, drafting, Canadian Securities Administrators review by the appropriate provincial and territorial securities regulator and marketing?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Keeping your options open</th>
<th>√ Not ready</th>
<th>√ Making progress</th>
<th>√ Ready for the IPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many private companies find the private capital markets to be a highly effective and less expensive route to raising capital. Prior to starting down the IPO route, explore alternative strategies. The M&amp;A market, private equity-backed deals and dual-track approaches (such as a concurrent pursuit of both an IPO and an M&amp;A transaction) are viable alternatives to raise capital, and each offers its own unique strategic advantages.</td>
<td>• Have you evaluated other possible transactions that could be attractive alternatives to an IPO?</td>
<td>• Have you determined your company’s potential M&amp;A valuation versus its public company valuation?</td>
<td>• Is your team able to scale to meet the company’s growth projections?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Timing the IPO</th>
<th>√ Not ready</th>
<th>√ Making progress</th>
<th>√ Ready for the IPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rather than trying to time the market, take the time you need to enter the IPO arena when you are truly ready. The well-prepared company that has addressed all the potential issues will be able to move swiftly when the market is right.</td>
<td>• Have you communicated realistic timeline expectations to key stakeholders?</td>
<td>• Do you know how to respond to pressure to move quickly into filing your IPO while a window of opportunity is available?</td>
<td>• Do you have a plan B? Have you prepared a financing strategy to execute without an IPO?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. Building the right team to take you public</th>
<th>√ Not ready</th>
<th>√ Making progress</th>
<th>√ Ready for the IPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your top managers must have the experience and skills to undertake the IPO transaction and operate a public company – both leading up to the roadshow and long after it’s over. Likewise, your external advisors should be highly skilled professionals with extensive IPO credentials, contacts and industry experience. They’re your voices of experience.</td>
<td>• Does your management team have experience and a going-public track record?</td>
<td>• Have you selected the right advisors with IPO and public company experience?</td>
<td>• Are your advisors working in close collaboration, frequently communicating and coordinating their activities?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. Building your business process and infrastructure</th>
<th>√ Not ready</th>
<th>√ Making progress</th>
<th>√ Ready for the IPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>IPO readiness is established, in part, by managerial diligence, endurance and organizational discipline. You must define and implement adequate business policies and procedures, systems, security and controls well in advance to ensure they will withstand the rigours and scrutiny of public company status.</td>
<td>• Have you established the needed/desired transparency in your organization?</td>
<td>• Have you assessed the ability of your financial, accounting, tax, operational and IT processes systems and controls to support your transformation into a public company?</td>
<td>• Have you established “balance” in your organization to help ensure that focus on the transaction does not interfere with business execution?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6. Establishing corporate governance</th>
<th>√ Not ready</th>
<th>√ Making progress</th>
<th>√ Ready for the IPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Take time to build a public company board with a substantively diverse mix of compensation, compliance and governance specialists, corporate strategists and experienced business and financial executives. Similarly, adopt leading-practice corporate governance principles and reporting policies to protect shareholder interests.</td>
<td>• Have you evaluated the eligibility and qualifications of your current board members to serve on the board of a publicly traded company?</td>
<td>• Is your board in compliance with NI 52-110, Audit Committees, which requires the members to be financially literate and, subject to certain exemptions, independent?</td>
<td>• Have you established the appropriate corporate governance oversight, policies and procedures, internal controls to ensure you are in compliance with NI 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings, bylaws and infrastructure?</td>
</tr>
</tbody>
</table>
7. Managing investor relations and communications

A strong investor relations function will help you sustain the market's interest in your company, communicate with your shareholders and other stakeholders attract a pipeline of new investors and sell-side research coverage, and manage regulatory and liability risk. Building this competency is a fundamental element in your IPO preparation process.

<table>
<thead>
<tr>
<th>Not ready</th>
<th>Making progress</th>
<th>Ready for the IPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you have a skilled investor-relations expert to help build your strategy and guide your communications?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you prepared an internal and external corporate communication strategy and plan?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you know the dos and don'ts of providing financial guidance, and are your projections supported by a robust financial planning and analysis function?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you understand the importance of having and communicating an insider trading policy ensuring those insiders having access to non-public material information refrain from trading during periods of time known as a blackout period?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. Conducting a successful IPO roadshow

The roadshow is a critical event in the IPO process. You must be fully prepared to sell the investment merits of your company's story. Recognize that your performance on the road is your best opportunity to inspire confidence and influence potential investors' decisions to invest in your offering.

<table>
<thead>
<tr>
<th>Not ready</th>
<th>Making progress</th>
<th>Ready for the IPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are your company's goals realistic and clearly communicated?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are your business plan and messaging consistent, sustainable and supportable over the long term?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have a “20-second” pitch?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. Attracting the right investors and analysts

Public companies must take individual responsibility for targeting sell-side analyst coverage from a broad universe of firms. You should also be prepared to cultivate an open channel of outreach to potential buy-side investors through ongoing dialogue, conference attendance and non-deal marketing visits.

<table>
<thead>
<tr>
<th>Not ready</th>
<th>Making progress</th>
<th>Ready for the IPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you established a strategic plan for managing your ownership mix in the aftermarket?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you know how to convey your value proposition to the appropriate investing audiences, gauge market perception and evolve your message?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have a plan to cultivate relationships with research and sell-side analysts who relate well to your team and understand your business?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. Delivering on your promises

Once your company goes public, the real work begins. You must meet or beat the expectations you set. Dictate the metrics by which external stakeholders will measure your company's performance by defining the parameters management uses to track the business and giving investors and analysts a blueprint to follow. Delivering on your promises is a fundamental preparedness factor – an absolute.

<table>
<thead>
<tr>
<th>Not ready</th>
<th>Making progress</th>
<th>Ready for the IPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are you executing your plan and effectively using the proceeds of the public offering?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you prepared a long-term plan for growth, considering people, process and infrastructure?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you prepared a long-term plan for ongoing monitoring and reporting compliance with rules, regulations and risks?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Milestones to map your IPO value journey

Detailed timeline for your IPO value journey

You need to begin the IPO readiness process early enough so that your pre-listed company acts and operates like a public company at least a year before it goes public. Commit substantial resources to the IPO process and build the quality management team, robust financial and business infrastructure, corporate governance and investor relations strategy that will attract the right investors.

<table>
<thead>
<tr>
<th>12 months before IPO</th>
<th>6-12 months before IPO</th>
<th>6-24 weeks before IPO</th>
<th>1-6 weeks before IPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Develop a robust business plan including the objectives of going public, as well as a Plan B.</td>
<td>• Finalize preparation of historical interim and annual financial information (consider translation of financial information if filing in Quebec).</td>
<td>• Finalize timetable.</td>
<td>• Begin formal marketing.</td>
</tr>
<tr>
<td>• Establish internal team that will manage the IPO process, and enhance if necessary.</td>
<td>• Make necessary changes to the executive board and begin recruiting additional board members.</td>
<td>• Consider adequacy of working capital and use of proceeds.</td>
<td>• Price and allocate the offering.</td>
</tr>
<tr>
<td>• Appoint external advisors, including financial, accounting and legal advisory team, and work with them to draw up schedules and timetables.</td>
<td>• Start building financial model and business plan.</td>
<td>• Produce draft prospectus and other documents and ensure compliance with all reporting requirements.</td>
<td>• File the preliminary prospectus.</td>
</tr>
<tr>
<td>• Understand and consider the corporate governance and reporting requirements in Canada.</td>
<td>• Meet with stock exchange representatives and discuss the transaction with the relevant stock exchange.</td>
<td>• Do initial review of pricing issues.</td>
<td>• Have underwriter perform marketing of securities (“book building”).</td>
</tr>
<tr>
<td>• Make all efforts to help ensure compliance with laws and regulations.</td>
<td>• Consider investor relations strategy and equity story.</td>
<td>• Review public relations presentations.</td>
<td>• Admission to stock exchange is granted and trading commences after receipt of the final prospectus.</td>
</tr>
<tr>
<td>• Complete strategic initiatives and pre-IPO transactions (e.g., acquisitions).</td>
<td>• Implement financial reporting procedures and controls.</td>
<td>• Begin initial marketing.</td>
<td>• Appoint non-executive directors.</td>
</tr>
<tr>
<td>• Begin preparation of historical financial information.</td>
<td>• Agree on draft timetable.</td>
<td>• Commission expert reports, if required.</td>
<td>• Eliminate dealbreakers and resolve any potential litigation or due diligence issues.</td>
</tr>
<tr>
<td>• Establish financial reporting procedures.</td>
<td></td>
<td>• Appoint non-executive directors.</td>
<td>• Prepare roadshow presentations to targeted potential investors.</td>
</tr>
<tr>
<td>• Review existing management information systems, operational and compliance controls and consider need to upgrade.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Consider ownership and tax issues.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Building the right team

People are what make or break great companies. Investors often say they back the people, not the plan.

You need to have your management team in place before the IPO. Your top managers must be able to work well together and have the experience, skills and incentives to undertake the IPO transaction and effectively operate a public company.

And then there are your external advisors. As your voices of experience, they should be highly skilled professionals with extensive IPO credentials, contacts and industry experience.

**Does your management team have an IPO track record?**

Building a powerful team starts at the top. You need to have the right executive team with experience in IPOs and appropriate incentives functioning well before you undertake the IPO.

We’ve found that the vast majority (90%) of institutional investors in the Global Institutional Investor Survey look at quality of management as the single most important non-financial factor when they evaluate a new offering.

Market leaders look at innovative ways to recruit and reward their key senior talent with compensation. Management incentives include performance-based compensation structures, share options, greater transparency and employee involvement. Such high-level incentives and shared ownership by management create the motivation that often leads to strong performance.

The CEO will likely be focused on investor relations in a public company. The investment community will look to the CEO to articulate and execute the company’s vision and business strategy, and translate that strategy into financial results for the investor audience.

Although both the CEO and CFO will need to co-navigate the pre-IPO process, the CEO often becomes the primary liaison with the aftermarket. Therefore, your executive team – mainly the securities lawyer and CFO team – must be well equipped to oversee the company’s day-to-day operations.

**Have you chosen the right external advisory team?**

On your journey of transformation into a public company, success depends a great deal on a coordinated team effort between internal management and the advisory team. Following economic uncertainty, it’s more important than ever to build a quality advisory team that consists of people with specialized skills and experience – including underwriters, legal counsel, independent auditor, internal audit, tax advisers, compensation structuring, information systems and others.

Begin to assemble your advisory team well in advance of your public launch. Professional, experienced advisors will be able to carefully prime your business, introduce you to the right investors, help you sell your story and, most significantly, put a value on your business that reflects its position and potential.

Get all this right and the IPO will still be hard work – but a cohesive team will help.
Preparing the prospectus

The IPO process involves preparing and delivering two documents to the securities regulators: the preliminary prospectus and the final prospectus.

The drafting process involves input from a number of parties and can take several weeks to complete. Key members of management – including the CEO, CFO and COO – will be involved in writing the description of the business and providing financial and non-financial data to be included in the prospectus. Investor relations and finance will also be involved in providing this information.

Your corporate lawyers will drive the drafting process and be heavily involved in structuring the document and writing many of the sections. The underwriters will have input into the description of the securities and can provide riders (e.g. attachments, schedules or amendments that are added to a key document) that provide general industry information. Your auditors can help advise you with the financial statements and related disclosures.

The preliminary prospectus contains all of the disclosures that will be in the final prospectus except for the price and the number of shares to be issued. Depending of the timing of the final prospectus, certain non-financial and financial information may need to be updated. The purpose of the preliminary prospectus is to allow the securities regulators to review the disclosures in the prospectus before sales begin. It also allows the underwriters to approach potential investors to determine the level of interest in a particular offering.

There are two types of prospectuses, long-form and short-form.

Long-form prospectuses include the financial statements in the body of the document and are used when the company does not have current financial statements, Annual Information Forms (AIFs), Management Discussion & Analysis (MD&A), Business Acquisition Reports (BARs), published publicly on SEDAR.

Short-form prospectuses are for existing issuers that have already filed separate financial statements and other documents, including AIFs, MD&A, BARs and are timely with respect to their continuous disclosure obligations on SEDAR. These financial items are referred to in the short-form prospectus so that they are incorporated by reference in the document rather than being reproduced in their entirety. A company carrying out an IPO would not already have financial statements and other financial information filed on SEDAR, and therefore would not qualify to file a short-form prospectus.

The underwriters and lawyers will organize a working group comprising individuals from management, the company’s lawyers, the underwriters, the underwriters’ lawyers and the auditors. The working group will meet, correspond by email, and have numerous conference calls during the drafting process to structure and draft the document. They will share precedents and prospectuses from other issuers in the same industry as examples of appropriate disclosures in the prospectus.

As management and the lawyers write sections of the prospectus, they will circulate drafts to the group for comments. The prospectus will go through numerous drafts and revisions before it is finalized.

There’s usually a great sense of urgency to complete the drafting, as the decision to start the process is typically made when market conditions appear favourable for the company, and there is a fear that an external or internal event could occur during the drafting phase that would make it unfavourable to raise money.

A number of prospectuses that are started never get filed because either the market moves against the issuer or there is insufficient demand for the securities at a price that management finds acceptable.

Once the preliminary prospectus is drafted, it is filed with the securities regulators in the provinces and territories in which it would like to become an issuer. If the prospectus is filed in Quebec, it would need to be translated. The securities regulator will review the preliminary prospectus and respond with comments within two to four weeks. Once the company has responded to the comments and made the requested changes to the prospectus, the securities will be priced by the underwriters and the final prospectus will be issued. It is at that point that the underwriters will go back to the investors who indicated interest in the securities and the actual sales will commence.

During the sales process, the underwriters will retain the proceeds of the sales, and then one to four weeks after the final prospectus is filed the deal will close and the underwriters will provide the company with the proceeds, minus the underwriters’ fees.
What's in a prospectus?

National Instrument 41-101, General Prospectus Requirements, governs the contents of a prospectus, and Registrants must file Form 41-101F1 as part of their initial public offering. The key sections of Form 41-101F1 are noted in the Appendix at the end of this document with further details of required non-financial and financial information discussed below.

Required non-financial information

A company's IPO prospectus filed in accordance with Form 41-101F1 requires significant narrative about the company's business, directors and officers and the terms of the offering. The areas that typically involve considerable attention by the company and its advisors outside of the financial statements include the following.

**Business of the company**

The disclosure requirements are intended to provide investors with significant insight into the company's business, including:

- Principal products and services, including their stage of development if not fully developed
- Competitive environment in the company's principal markets and geographic areas
- The importance, duration and effect on identifiable intangible properties
- The number of employees

Additionally, narrative of the development of the business over the last three completed financial years is required, including material restructuring transactions, acquisitions or dispositions and other conditions that have influenced the general development of the business.

**Use of proceeds**

Disclosure of the estimated net proceeds from the IPO and their intended use is required. Additional disclosures are required if more than 10% of the net proceeds will be used to reduce or retire indebtedness, acquire assets or incur costs to research and develop products or services. If unallocated funds will be placed in a trust or escrow account, invested or added to the working capital of the company, disclosure of such actions must be made.
Management’s Discussion and Analysis

Management’s Discussion and Analysis (MD&A) is a narrative explanation, through the eyes of management, of how the company has performed during the period covered by the financial statements, and the company’s financial condition and future prospects. MD&A complements and supplements the financial statements, but does not form part of the financial statements.

MD&A should:

- Provide detailed discussion that improves the company’s overall financial disclosure
- Help investors understand what the financial statements do and do not show
- Disclose material information that may not be fully reflected in the financial statements
- Discuss important trends and risks that have affected the financial statements and are reasonably likely to affect the financial statements in the future
- Provide information about the quality and potential variability of the company’s profit or loss and cash flows to assist investors in determining if past performance is indicative of future performance

Description of the securities distributed

This section provides investors with details on the securities being offered, including the tax implications for the investor. If equity securities are being distributed, disclosure of all material attributes are required, including dividend, voting, pre-emptive and/or conversion or exchange rights.

If debt securities are being distributed, the material attribute disclosures may include provisions for interest rate, maturity and premium, conversion or exchange rights, sinking fund provisions or redemption, retraction or cancellation provisions.

Directors and executive officers

For each director and executive officer of the company, the prospectus must disclose the individual’s:

- Name
- Province or state and country of residence
- Position and offices held in the company
- Principal occupation during the five preceding years
- Period(s) in which each director has served as director and when the term of office will expire
- Number and percentage of securities of each class of voting securities owned

Executive compensation

All direct and indirect compensation paid, payable, awarded, granted or given to executive officers and directors for, or in connection with, services they have provided to the company must be disclosed.

In addition, discussion of all significant elements of compensation awards to, earned by, paid or payable to executive officers and directors must be included, including the objectives of any compensation program or strategy, what the compensation program is designed to reward, each element of compensation, why the company chooses to pay each element, how compensation is determined and how each element of compensation fits into the company’s overall compensation objectives.

Audit committees and corporate governance

An IPO prospectus requires significant discussion of the company’s corporate governance policies and practices and the role of the audit committee.

The mandate of the board of directors should also be disclosed, including how the roles and responsibilities of each board position are delineated, what measures are taken by the company to provide continuing education to its directors and what measures are in place to encourage and promote a culture of ethical business conduct.

The prospectus should disclose which members of the board of directors are considered independent, the composition of the audit committee including relevant education and experience to meet the responsibilities as an audit committee member, and the external auditor fees incurred.

Risk factors

Risk factors material to the company that a reasonable investor would consider relevant should be discussed. Typical risk factors addressed in a prospectus include cash flow and liquidity problems, general risks inherent in the business of the company, environmental and health risks, reliance on key personnel, regulatory constraints and economic or political conditions.
Required financial information

Audited financial statements of the company are a fundamental requirement of filing an IPO prospectus. Generally, the following financial statements are required to be included in an IPO prospectus:

**Audited comparative financial statements covering the previous three completed financial years.** More specifically, this includes a statement of comprehensive income, a statement of changes in equity, a statement of cash flows for each of the three most recently completed financial years ended, and a statement of financial position as at the end of the two most recently completed financial years ended. As an example, if a company with a 31 December year end files an IPO prospectus during 2014, financial statement requirements would include audited comparative statements of comprehensive income, statements of changes in equity and statements of cash flows for fiscal years ending 2013, 2012 and 2011. Comparative statements of financial position would be required for fiscal years ending 2013 and 2012.

**Reviewed unaudited condensed comparative financial statements for the most recent interim or quarterly period.** Unaudited quarterly or interim statements include, at a minimum, a condensed statement of financial position at period end and as at the end of the immediately preceding financial year, a condensed statement of comprehensive income, a condensed statement of changes in equity and a condensed statement of cash flows for the period end, and comparative financial information for the corresponding interim period in the immediately preceding financial year. Financial statement note disclosures are required, but with only selected explanatory notes.

Financial statements, both annual and interim, must be signed by two directors on behalf of the board of directors. In Canada, the accounting framework on which the financial statements are prepared is generally International Financial Reporting Standards (IFRS), as effective for fiscal years commencing 1 January 2011. There are a few exceptions to this requirement, including rate-regulated entities whose mandatory adoption date of IFRS was deferred until 1 January 2015. During this deferral, rate-regulated entities can continue to apply Part V of the CPA Handbook (pre-changeover accounting standards) or USGAAP – so long as the entity is not registered with the US Securities and Exchange Commission (SEC). In addition, investment entities were provided with an initial deferral of IFRS adoption in Canada and now must adopt IFRS for interim and annual financial statements relating to annual periods beginning on or after 1 January 2014.

To the extent private companies are reporting in accordance with Accounting Standards for Private Enterprises, the company will have to adopt IFRS for the financial statements filed in the prospectus.

Where a Canadian (or foreign) company is listed in the United States and registered with the SEC, financial statements may be prepared under US GAAP with no requirement to reconcile these financial statements to IFRS. Pro-forma financial statements may also be required where the company has executed a significant acquisition in the current or immediately preceding year. In these instances, determination of whether or not the acquisition is “significant” is defined by the Canadian Securities Administrators and requires the execution of various tests as noted in National Instrument 51-102 Part 8, Continuous Disclosure Obligations. Pro forma financial statements should cover the annual and interim comparative statements with the goal of attempting to reflect the effect of the acquisition on the company as though it had taken place at the beginning of its most recently completed financial year. The financial statements of the acquired must be reconciled to the accounting principles used to prepare the reporting issuer’s financial statements and translated into the same reporting currency as that used in the reporting issuer’s financial statements.

Audited financial statements must be audited in accordance with Canadian GAAS. For SEC issuers, financial statements are audited in accordance with US PCAOB GAAS. Foreign private issuer financial statements are audited in accordance with International Standards on Auditing, US PCAOB GAAS or auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject.

Preparation of annual and interim financial statements is the responsibility of company management. An independent auditor is required to execute the audit of the annual financial statements under professional accounting standards in Canada. If the company engaged multiple auditors, they all may be involved in the execution of the filing of the offering document.
Underwriter due diligence process

Prior to the filing of the offering document, the lead underwriter completes a due diligence process over the company, incorporating the cooperation of various parties involved in the filing of the offering document. This is intended to verify that the offering document is accurate and that no additional information related to the company’s operations or industry has been omitted from the offering document. Those involved in the due diligence process include the underwriters, legal counsel for the underwriters, company management and legal counsel, and the auditors.

As part of the due diligence process, a due diligence meeting is held with the various parties involved in the offering document prior to filing the preliminary prospectus. The initial meeting is typically led by the lead underwriter, who asks management and their legal counsel, legal counsel to the underwriters and the auditors to respond to various questions related to their involvement in the offering document and knowledge of the company.

Management is commonly asked to address questions in connection with industry trends, the competition and the Company’s competitive advantage, how the business and operations are performing, material contracts and new customer relationships, changes in the management of the company, key employees, financial and accounting, tax, indebtedness, insurance, legal matters that may impact the business and related party transactions.

Auditors are commonly asked to address questions related to the appropriateness of management’s accounting policies, their knowledge of allegations of fraud or suspected fraud, existence and effective operation of internal controls, significant changes in revenue/sales, commitments and contingences, and any communications with regulatory bodies.

An update meeting is commonly held prior to filing the final prospectus where parties are asked to update their responses to the questions addressed at the preliminary call. In addition, auditors are commonly asked at this time to state whether there is any expectation that they will not be able to deliver their signed Advice Letter to the lead underwriter upon filing the final prospectus.

The auditor’s Advice Letter to the underwriters is one of several key letters issued by the auditors as part of filing the offering document. This letter generally outlines the procedures executed by the auditor, as specified by the underwriter, and relates to specific information contained in the prospectus or documents associated by reference to the prospectus.

Management, the underwriters and the auditors generally agree on the procedures to be executed at the outset of the process, well prior to the filing of the final prospectus. The auditor’s Advice Letter is commonly dated the same date as the final prospectus.

The auditor also issues a number of other letters in conjunction with the filing of the preliminary and final prospectus. Some of these letters include the following:

- **Consent letter** identifies the auditor’s involvement in the document and is typically only signed upon filing the final prospectus, and is therefore unsigned for the preliminary prospectus.
• **Advice letter to the securities commissions** identifies the extent of the auditor’s work in filing the preliminary and final prospectus.

• **Letter of understanding to the underwriters** outlines the auditor's expectations for their involvement in the due diligence proceedings.

### Regulatory review

After the company files its preliminary prospectus, the provincial securities regulators will review the disclosures to determine whether they comply with securities laws and regulations.

Normally, the company deals with the regulator in the province in which its head office is located, and the other provincial regulators rely on the primary regulator through an inter-provincial passport system. In certain circumstances, though, it is possible to get comments from another provincial regulator through the regulatory review process.

The Securities regulator will issue a comment letter with requests to change certain disclosures in the prospectus. The company and its lawyers will review the comment letter and respond, either making the requested change(s) or challenging the need for the change(s). The regulator will then either give clearance to file the final prospectus or will respond with another comment letter asking for further changes or clarifying the previous requests.

The comment letters and responses will go back and forth between the company and the securities regulators until the securities regulators are satisfied that all of their concerns have been addressed. Once the securities regulators have given clearance to file the final prospectus, the company’s lawyers will file it on SEDAR and the securities commission will issue a receipt indicating it has been filed. Once the receipt is obtained, the underwriters can begin selling the securities.

### IPO roadshow

You’ll need to deliver a persuasive message about your business’s compelling equity growth story and your management team’s credibility. Your roadshow is your opportunity to convince potential investors to invest in your offering. You must be fully prepared to sell the investment merits of your company’s story.

The roadshow is a series of sales events organized by the underwriters where company management goes to various potential investors to try to convince them to buy the company’s securities.
Other issues to consider

Provincial filing issues
In Canada, securities regulation is governed on a provincial and territorial basis; there is no national regulator. Since each province and territory has its own regulator, a company wishing to raise capital in multiple provinces/territories must file a prospectus in each individual jurisdiction. Although the content and form of the prospectus are set out by the individual provincial securities acts and vary slightly based on industry and size of offering, most jurisdictions have fairly similar requirements.

For companies wanting to file in multiple provinces, most of the securities commissions operate under what is commonly known as the “passport system,” whereby a company designates one jurisdiction as the primary filing province or territory, thereby following the local securities act, and the primary prospectus is deemed to be in compliance with all other participating jurisdictions.

The passport system does not, however, apply to Ontario and Quebec. For companies wanting to file in Ontario with a primary regulator other than the Ontario Securities Commission (OSC), a “dual-prospectus” must be filed and the company must interact with both provinces’ regulators. For companies wanting to file in Quebec, a prospectus must be filed in French, or both English and French. This requires additional time and money for the translation process.

Cross-border filings
The decision to file in multiple countries, specifically Canada and the US, has many benefits but also comes with additional requirements. The larger market in the US is appealing to many companies ready to go public, as a larger market can mean the potential to raise more capital.

Overall, the process of going public in the US is similar to that in Canada. Companies that register with the SEC are eligible to file in Canada under a long-form prospectus, which allows the securities to be sold in both markets with one underwriting syndicate.

Although the process of filing an IPO is fairly similar, initial upfront investment is needed in the US, as there are some significant differences in the content and details of the prospectus. Most of these differences arise from the SEC’s requirement for notably more disclosures during the initial prospectus. This more extensive regulatory, compliance and reporting continues past the IPO process, since companies are required to comply with ongoing SEC regulations once they have gone public. Companies that register securities in the US are required to comply with Sarbanes-Oxley (SOX) Section 404, which requires management to report on the adequacy of the company’s internal control structure and procedures for financial reporting. The external auditor is required to report on the adequacy of the company’s internal control structures and procedures for financial reporting for accelerated filers.

In addition, SOX Section 302, filed with the quarterly and annual reports, focuses on disclosure controls and procedures and requires the signing officers of the company (typically the CEO and CFO) to certify that they are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that the financial statements of the company and all supplemental disclosures are truthful and reliable, and that management has taken appropriate steps to satisfy themselves that the disclosure processes and controls in the company they oversee are capable of consistently producing financial information stakeholders can rely on.

Stock option plans
Of interest to underwriters during a prospectus are the employee compensation arrangements, which must be disclosed as part of the IPO. If a company is filing a prospectus that already has a stock option plan in place, it may have to amend it to meet the requirements of the stock exchange in the filing jurisdiction. If a company wants to implement an employee stock option plan, it’s much easier to do so prior to going public. Once public, adding an employee benefit plan in the form of stock options would require shareholder approval.

Internal controls
The business and financial processes of a publicly traded company, including its internal controls, are very different from those of a typical private company and must be able to withstand the rigours and scrutiny of public status. Financial reporting takes on a heightened level of importance and increased transparency once your company is public. On a continuing basis, you will be required to file quarterly and annual reports under a significantly condensed financial statement close process. Effective internal controls become vital in a public company to ensure timely and accurate financial reporting of the quarterly and annual financial statements and MD&A.
Extensive testing of internal control systems has become a way of life for public companies. This can be attributed to heightened regulatory compliance requirements in many countries. While public companies listed in Canada are currently not required to obtain audit opinions on internal control over financial reporting, the Canadian Securities Regulators do require CEO and CFO certifications with respect to such internal controls, as well as disclosure controls and procedures. National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), outlines the responsibilities of the CEO and CFO to personally certify that, among other things:

- The issuer's annual filings and interim filings do not contain any misrepresentations
- The financial statements and other financial information in the annual filings and interim filings fairly present the financial condition, results of operations and cash flows of the issuer
- They have designed disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) or caused them to be designed under their supervision
- They have caused the issuer to disclose in its MD&A any change in the issuer’s ICFR that has materially affected the issuer’s ICFR
- On an annual basis they have evaluated the effectiveness of the issuer’s DC&P and ICFR and caused the issuer to disclose their conclusions about the effectiveness of DC&P and ICFR in the issuer’s MD&A

The regulatory requirement for MD&A disclosure of material weaknesses is established by NI 52-109. The threshold for material weaknesses is a “higher bar” than that of significant deficiency and defines a material weakness as a deficiency, or a combination of deficiencies, in ICFR such that there is a reasonable possibility that a material misstatement of the reporting issuer’s annual financial statements or interim financial report will not be prevented or detected on a timely basis.

An effective risk-taking culture can only thrive within a solid framework of cost-effective internal controls. Market leaders are developing methodologies for preventing and detecting fraud. They are also anticipating the increased risks created by increased regulation (e.g., tax or climate change) and broadening the scope of their risk management practices to include new areas, such as third-party and counterparty risk.

Tax considerations

An IPO is a tax minefield for the unwary. It involves significant restructuring of an organization’s legal, financial and commercial activities. This, combined with a need to undertake extensive tax due diligence when listing to identify any exposure (both past and future), means that the road to an IPO can be a taxing challenge. 

The existing shareholders of an organization looking to go public view the process as a natural expansion and growth in activities. They are therefore amazed by myriad taxation implications, risks and, in some cases, opportunities that can arise throughout the process. Unfortunately, the tax implications can not only alter the structure of the IPO, but also can often change the way in which commercial transactions are approached.

Effective tax structures and reporting are key, especially with the rise in demand for transparency worldwide. You will need to establish or outsource a tax function and infrastructure appropriate for public company status.

Your corporate structure should:

- Minimize your company’s effective tax rate
- Establish a tax-efficient structure and assess local incentives
- Develop and improve your documentation around internal control procedures to identify, assess and address tax issues
- Manage tax risk and controversies

Increased regulatory pressure, transparency requirements and globalization are adding to the strain on already tight resource pools. Typically, tax compliance requires approximately 50% of a tax department’s time. As a result of these converging factors, corporate leaders are redefining the role of the tax function.
After the IPO

Governance

Issuers differ in size, industry, stage of development and management experience. Therefore, corporate governance for each individual issuer will differ. While no prescribed set of corporate governance standards or practices will be suitable for every issuer, all issuers must adopt corporate governance practices and processes that are appropriate to them.

In general, good corporate governance:

- Requires an effective system of accountability by management to the board and by the board to the security holders.
- Requires that information be made available and that decisions by management and the board can be reviewed.
- Ensures that all security holders are protected.
- In circumstances where there is a significant security holder, ensures that the interests of minority security holders are protected.

With the greater scrutiny and liability placed on public company directors, time and effort is required to identify, appoint and groom a qualified board of independent directors. You will need to adopt adequate corporate governance principles and reporting policies that protect your shareholders’ interests.

Now more than ever, a strong corporate governance function, including attractive qualified independent board members and the transparency of related-party transactions, is critical.

Recruit and assemble your board of directors

Investors expect that your board will have a balance of executive and non-executive directors (NEDs) with sufficient knowledge of the business. Take time to build a public company board with a good mix of skills, including industry contacts, technical knowledge, business development, marketing, strategic planning, acquisition integration and financial expertise.

Start recruiting your board early, especially the NEDs. Leading companies usually have the right boards in place before the IPO. The typical board candidate search process is similar to recruiting a CEO or other C-level executive. However, for many companies, there are often last-minute, frantic searches for independent board members. In some countries, there is a veritable war for boardroom talent since the pool of good potential directors is often so limited.

Therefore, NEDs should be sought as far in advance as possible – three to six months ahead of the IPO event is realistic timing. A NED with experience of an IPO, who understands the process and who is able to contribute good ideas to the board debate can be an asset in the lead-up to an IPO.

Directors can improve board performance in a variety of ways:

- Owe loyalty to shareholders, not management.
- Challenge management to simplify and explain the business.
- Serve as ambassadors and promoters of the business.
- Carefully evaluate executive remuneration plans.
- Improve audit committee oversight of risk management.

Adopt adequate corporate governance oversight, policies and procedures

As a starting point, you should consider National Policy 58-201, Corporate Governance Guidelines, and National Instrument 52-110, Audit Committees, in developing your own corporate governance oversight, policies and procedures. If you have significant operations outside Canada, OSC Staff Notice 51-720, Issuer Guide for Companies Operating in Emerging Markets, is a very useful tool to identify risks and challenges, and tips to overcome them.

Focus on risk management

Your newly public company will need a full suite of board-approved risk management and control policies.

Investors are increasing their scrutiny of risk and will pay a premium for strong risk management, while companies are focusing more on risk assessment and response. This is a result of increased regulatory and investor scrutiny and increased business activity in the emerging markets. In the downturn, businesses of all sizes were hit by risks that were completely off their radar. Now, shareholders expect transparency, open communication and effective global risk management.
Risk management oversight in many companies is inadequate for identifying new risks. Companies need a comprehensive process and structure to identify and manage risks. In its oversight capacity, the board bears ultimate responsibility for developing the risk management framework, which allows a company to manage risk prudently, yet allows for growth.

Although enterprise risk management is still in its early stages for most pre-listed companies today, larger public companies are looking beyond internal controls around financial reporting to address the broader enterprise and external risks.

**Adopt corporate governance policies that inspire shareholder confidence**

National Instrument 58-101, *Disclosure of Corporate Governance Practices*, prescribes the minimum disclosures required with respect to issuers’ corporate governance policies and practices. Your aim is to inspire shareholder confidence through the practices you adopt and the disclosures you make.

**Continuous disclosure requirements**

Following the prospectus filing, the company is a Reporting Issuer under Canadian securities legislation. Reporting issuers have extensive and ongoing reporting and disclosure obligations. National Instrument 51-102, *Continuous Disclosure Obligations*, prescribes the continuous disclosure requirements that apply to reporting issuers. Companies should consult with their securities counsel, auditors and other experts when drafting their continuous disclosure documents.

Several continuous disclosure requirements vary depending on whether the company is a Venture Issuer. Generally a Venture Issuer is a Reporting Issuer that does not have any securities listed on the Toronto Stock Exchange, a U.S. marketplace or another marketplace elsewhere in the world (with exception to the TSX Venture Exchange or the Canadian Securities Exchange). Said differently, a Reporting Issuer whose stock is listed on the TSX Venture Exchange or the Canadian Securities Exchange, or whose stock is not listed, would be a Venture Issuer.
<table>
<thead>
<tr>
<th>Disclosure</th>
<th>Not A Venture Issuer</th>
<th>Venture Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Comparative Annual Financial Statements and Management Discussion and Analysis (MD&amp;A)</strong></td>
<td>Audited comparative annual financial statements and MD&amp;A filed within 90 days of the company’s fiscal year end in accordance with Canadian GAAP applicable to publicly accountable enterprises.</td>
<td>Audited comparative annual financial statements and MD&amp;A filed within 120 days of the company’s fiscal year end in accordance with Canadian GAAP applicable to publicly accountable enterprises.</td>
</tr>
<tr>
<td><strong>Interim Financial Report</strong></td>
<td>Interim financial statements and MD&amp;A filed within 45 days of the end of the interim period. If the company’s auditor has not performed a review of the interim financial statements, a notice indicating such must accompany the interim financial report.</td>
<td>Interim financial statements and MD&amp;A filed within 60 days of the end of the interim period. If the company’s auditor has not performed a review of the interim financial statements, a notice indicating such must accompany the interim financial report.</td>
</tr>
<tr>
<td><strong>Annual Information Form (AIF)</strong></td>
<td>The AIF is filed annually within 90 days of the company’s fiscal year end. An AIF provides information about the company and its business at a point in time in the context of its historical and possible future developments. Specifically, an AIF describes the company, its operations and prospects, risk and other external factors that impact the company. The disclosures in an AIF are supplemented by the other continuous disclosure filings during the year.</td>
<td>Venture issuers are exempt from filing an AIF.</td>
</tr>
</tbody>
</table>

**Disclosure applicable to a Non-Venture Issuer and a Venture Issuer**

<table>
<thead>
<tr>
<th>Disclosure</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Material Change Report</strong></td>
<td>A material change is characterized by a change in the business, operations or capital of a reporting issuer that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the company. When a material change occurs, a company is required to immediately issue and file a news release disclosing the nature and substance of the change. In addition, within 10 days of the date of the change, a Material Change Report must be filed with the securities regulator.</td>
</tr>
<tr>
<td><strong>Press Release</strong></td>
<td>Securities regulators require reporting issuers to immediately release material information on a reporting issuer. Material information is any information relating to the business and affairs of a company that results in, or would reasonably be expected to result in, a significant change in the market price or value of any of the company’s listed securities. Material information consists of both material facts and material changes relating to the business and affairs of a listed company.</td>
</tr>
<tr>
<td><strong>Business Acquisition Report (BAR)</strong></td>
<td>In the event a company completes a significant acquisition, securities regulation requires the filing of a BAR within 75 days of the acquisition date. To determine whether an acquisition is considered significant, three quantitative criteria are assessed: the size of the acquired company’s assets, the level of income of the acquired company and the size of the company’s investment in the acquired company. A BAR describes the business acquired and the effect of the acquisition on the company, including the type and amount of consideration paid, the effect of the acquisition on the company’s financial position, audited comparative (where applicable) annual financial statements and interim financial statements of the acquired company, and pro-forma financial statements giving effect to the acquisition.</td>
</tr>
<tr>
<td><strong>Information Circular</strong></td>
<td>If management gives notice of a meeting to its registered holders of voting securities, an Information Circular must be sent to each registered holder of voting securities. The Information Circular is also filed with the securities regulator. An Information Circular includes information such as a statement of executive compensation, indebtedness of directors and executive officers, interest of insiders in material transactions, appointment of the company’s auditor, details of management contracts and particulars of matters to be voted on in the meeting.</td>
</tr>
</tbody>
</table>
In addition, continuous disclosure requirements under National Instrument 51-101, *Standards of Disclosure for Oil and Gas Activities*, for companies engaged in oil and gas activities, include filing a Statement of Reserves Data and Other Information and a Report of Independent Qualified Reserves Evaluator or Auditor.

**Investor relations**

Frequent and transparent communications with stakeholders regarding your company’s performance is key. A strong investor-relations function will help you sustain the market’s interest in your company, communicate with your shareholders and the public, attract a pipeline of new investors and manage risk.

As a newly public company, your management must now be accountable to possibly hundreds or even thousands of investors, after having been responsible to just a few investors when private.

You must have an aftermarket strategy. Once the IPO is over, the process of retelling and fine-tuning the company’s equity story begins. You must develop a proactive investor-relations strategy that will attract the optimal ownership mix and long-term pipeline in the aftermarket. Successful executives target the type of investor that will maximize liquidity and valuation. Through ongoing dialogue, conference attendance and non-deal marketing visits, you should be prepared to cultivate an open channel of outreach to potential investors and for targeting sell-side analyst coverage from a broad universe of firms.
Keeping your options open: alternatives to an IPO

While an IPO may be your favoured approach to raising capital, it’s important to evaluate all possible transactions that could serve as stepping stones or attractive alternatives to a public listing. Many companies that pursue IPOs do not go public, at least not initially. Your transaction decision will depend on your company’s business model, growth potential and maturity.

Your alternatives may include any combination of the following:

Sale to a strategic buyer or a private equity firm through the M&A market

A sale to a trade acquirer or financial buyer (e.g., private equity) is often considered an alternative to an IPO – depending on the objectives of existing stakeholders and management and the attributes of the business.

For instance, a private equity buyer can provide an alternative for growth companies that may not be operationally ready to access the public capital markets. In a sale situation, you must understand your company’s value in a vertical, horizontal or consolidation transaction. A detailed evaluation of the suitability and viability of M&A as an alternative to an IPO should always form part of the process of determining whether to pursue an IPO.

Private placement, often as a pre-IPO step

Often, an IPO may not be a good option for a young company without the financial track record or reputation to attract the general investing public to its stock. In this case, a private placement can be a quick and low-cost source of capital.
It’s called a private placement because the securities are offered to a few private investors instead of the public at large. Typically, a private placement is appropriate for a small company looking to fund growth and expansion. It often involves commitment to an IPO or liquidity event within a specific time frame. It can be an excellent prelude or alternative to going public. It is an effective tool for raising second- and third-round capital.

Joint ventures and strategic alliances

Joint ventures (JVs) and partnerships are expected to increase in number. In the JV, businesses create a partnership to share profits, markets, assets, intellectual property and so on, and form a separate legal entity. On the other hand, in a strategic partnership or alliance, typically a smaller company collaborates with a larger, financially stronger company. JVs and strategic alliances can provide an ideal vehicle for establishing strong local business partnerships and entering strategic markets and geographies.

A JV or alliance can help companies expand business, access technology or cut costs. Be sure your JV is supported by quantifiable milestones and compatible goals between the partners in order to foster realistic expectations. In our experience, alliances that lack these vital ingredients usually fail.

Refinancing to release funds for partial exit

Investors expect companies to be properly funded, which can mean reducing or refinancing debt. Thus, pre-IPO companies may need to reduce debt levels or refinance their debt prior to going public. Refinancing debt could also enable existing stakeholders to achieve more liquidity by allowing for a partial exit while still retaining an interest to participate in the company's future growth. Given the range of potential alternative transactions, you need to have a clear idea of what’s involved, how long the process will take, what it’s likely to cost and whether two or more routes need to be run in parallel. Above all, company goals should dictate your optimal strategy for raising capital.

Keep your options open through a multi-track approach. Increasingly, businesses are taking a dual- or triple-track approach where they pursue a trade sale or other funding source and prepare for a possible IPO at the same time. The multi-track approach allows you to keep your options open during the preparation process. This can be especially beneficial in case the IPO window shuts on you during this often lengthy process. Thus, successful companies typically have a Plan B and often a Plan C (e.g., simultaneously pursuing an IPO, a trade sale and debt refinancing).

Since there is considerable overlap in the preparation required for the various routes, a double or triple track can be executed without doubling or tripling your costs. By diversifying your approach, your company can significantly increase its strategic options and negotiating leverage while reducing execution risk.

Are you ready?

Why not visit the EY Global IPO Center of Excellence?

The new Center powerfully showcases the EY difference. It is a virtual hub that pools our global IPO knowledge, experience and resources in one place for the first time. Visit ey.com/ipocenter and make sure you are ready for the IPO journey.
# Form 41-101F1

Key sections and what information must be provided

<table>
<thead>
<tr>
<th>Item</th>
<th>Contents</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cover Page Disclosure</td>
<td>Outlines key facts about the offering.</td>
</tr>
<tr>
<td>2</td>
<td>Table of Contents</td>
<td>Lists sections within the prospectus.</td>
</tr>
<tr>
<td>3</td>
<td>Summary of Prospectus</td>
<td>Provides an overview of the information appearing elsewhere in the prospectus that would be most likely to influence the investor’s decision to purchase the security.</td>
</tr>
<tr>
<td>4</td>
<td>Corporate Structure</td>
<td>Includes details of registered offices, incorporation and inter-corporate relationships of the company.</td>
</tr>
<tr>
<td>5</td>
<td>Description of Business</td>
<td>Gives investors information on the company's business operations.</td>
</tr>
<tr>
<td>6</td>
<td>Use of Proceeds</td>
<td>Discloses the expected offering proceeds and their principal intended use(s).</td>
</tr>
<tr>
<td>7</td>
<td>Dividends or Distributions</td>
<td>Discloses cash dividends or distributions declared by the company in the preceding three financial years, any restrictions that would prevent payment of dividends or distributions and the company's dividend or distribution policy.</td>
</tr>
<tr>
<td>8</td>
<td>Management’s Discussion and Analysis</td>
<td>Detailed narrative on the company's current financial position and future prospects.</td>
</tr>
<tr>
<td>9</td>
<td>Earnings Coverage Ratios</td>
<td>Discloses earnings coverage ratios if securities being distributed are debt securities with a maturity of greater than one year or preferred shares.</td>
</tr>
<tr>
<td>10</td>
<td>Description of the Securities Distributed</td>
<td>Discloses material attributes and characteristics of securities being offered.</td>
</tr>
<tr>
<td>11</td>
<td>Consolidated Capitalization</td>
<td>Describes the company's debt and equity capital structure for the most recently completed financial period and any material change in structure expected from the offering.</td>
</tr>
<tr>
<td>12</td>
<td>Options to Purchase Securities</td>
<td>Provides details on the class, type, number, purchase price and, when ascertainable, market value of options to purchase securities of the company outstanding immediately prior to the offering, including who holds the securities.</td>
</tr>
<tr>
<td>13</td>
<td>Prior Sales</td>
<td>Discloses information on the sale or distribution of equity instruments or instruments convertible into equity of the company for the 12-month period immediately prior to the offering.</td>
</tr>
<tr>
<td>14</td>
<td>Escrowed Securities and Securities Subject to Contractual Restriction on Transfer</td>
<td>Outlines the number and type of voting securities of the company held in escrow or that are subject to contractual restrictions within 30 days immediately prior to the offering.</td>
</tr>
<tr>
<td>15</td>
<td>Principal Security holders and Selling Security holders</td>
<td>Provides information on each principal security holder of the company and their percentage ownership in the company immediately prior to and following the offering.</td>
</tr>
<tr>
<td>16</td>
<td>Directors and Executive Officers</td>
<td>Provides information on the company's directors and executive officers.</td>
</tr>
<tr>
<td>17</td>
<td>Executive Compensation</td>
<td>Discloses current Statement of Executive Compensation and any intention to make material changes to that compensation subsequent to the offering.</td>
</tr>
<tr>
<td>18</td>
<td>Indebtedness of Directors and Executive Officers</td>
<td>Provides information on the type, value and terms the indebtedness of each director and executive officer of the company, whether owed to the company or other entities.</td>
</tr>
<tr>
<td>19</td>
<td>Audit Committees and Corporate Governance</td>
<td>Provides information on the company's audit committee and corporate governance practices.</td>
</tr>
<tr>
<td>20</td>
<td>Plan of Distribution</td>
<td>If the company's securities are being distributed by an underwriter, provides information on the underwriter and the plan of distribution.</td>
</tr>
<tr>
<td>21</td>
<td>Risk Factors</td>
<td>Provides information on the key risk factors relating to the company and its business operations.</td>
</tr>
<tr>
<td>22</td>
<td>Promoters</td>
<td>Discloses information on a person or company that was a promoter of the company within two years prior to the offering.</td>
</tr>
<tr>
<td>23</td>
<td>Legal Proceedings and Regulatory Actions</td>
<td>Describes any material legal proceedings the company is or was a party to since the beginning of the most recently completed financial year.</td>
</tr>
<tr>
<td>24</td>
<td>Interests of Management and Others in Material Transactions</td>
<td>Describes and states the approximate amount of any material interest of the directors, executive officers or principal shareholders in any transaction within the three most recently completed financial years that has materially affected or is reasonably expected to materially affect the company.</td>
</tr>
<tr>
<td>Item</td>
<td>Contents</td>
<td>Description</td>
</tr>
<tr>
<td>------</td>
<td>----------</td>
<td>-------------</td>
</tr>
<tr>
<td>25</td>
<td>Relationships Between Issuer or Selling Security holder and Underwriter</td>
<td>Discloses any underwriting conflicts in accordance with National Instrument 33-105.</td>
</tr>
<tr>
<td>26</td>
<td>Auditors, Transfer Agents and Registrars</td>
<td>Provides the names and addresses of the auditor, transfer agent and registrar of the company.</td>
</tr>
<tr>
<td>27</td>
<td>Material Contracts</td>
<td>Describes details of any material contracts entered into by the company in the most recently completed financial year or, if the material contract is still in effect at the date of the prospectus, the year prior to the most recently completed financial year.</td>
</tr>
<tr>
<td>28</td>
<td>Experts</td>
<td>Provides the names of each expert included in the offering.</td>
</tr>
<tr>
<td>29</td>
<td>Other Material Facts</td>
<td>Discloses other material facts about the securities being distributed that are not otherwise disclosed elsewhere in the prospectus.</td>
</tr>
<tr>
<td>30</td>
<td>Rights of Withdrawal and Rescission</td>
<td>Discloses the right of withdrawal provided to purchasers of the securities that must be exercised within two business days after receipt of the prospectus.</td>
</tr>
<tr>
<td>31</td>
<td>List of Exemptions from Instrument</td>
<td>Details all exemptions from the provisions of National Instrument 41-101 granted to the company.</td>
</tr>
<tr>
<td>32</td>
<td>Financial Statement Disclosures for Issuers</td>
<td>Provides guidance on the financial statements required to be included in the prospectus, including annual, interim (interims must be reviewed in accordance with CICA Section 7050) and pro-forma financial statements.</td>
</tr>
<tr>
<td>33</td>
<td>Creditor Supporter Disclosure, Including Financial Statements</td>
<td>If a credit supporter has provided a guarantee for all or substantially all of the payments made under the offering, inclusion of credit supporter statements is required.</td>
</tr>
<tr>
<td>34</td>
<td>Exemptions for Certain Issues of Guaranteed Securities</td>
<td>Details exemptions provided to subsidiaries of credit supporters.</td>
</tr>
<tr>
<td>35</td>
<td>Significant Acquisitions</td>
<td>Outlines disclosure and financial statement requirements for significant acquisitions undertaken by the company. The GAAP of the acquisition must be considered, and if the acquired company’s financial statements are not audited, arrange to have an audit.</td>
</tr>
<tr>
<td>36</td>
<td>Probable Reverse Takeovers</td>
<td>If the company is involved in a proposed reverse takeover, disclosure of the reverse takeover acquirer is required.</td>
</tr>
<tr>
<td>37</td>
<td>Certificates</td>
<td>National Instrument 41-101 requires inclusion of various certificates from the company, the underwriter and certain other parties involved in the offering.</td>
</tr>
<tr>
<td>38</td>
<td>Transition</td>
<td>Outlines requirement to prepare a comparative interim financial report of the company for the most recent interim period ended after the most recent financial year of which annual financial statements are included in the prospectus.</td>
</tr>
</tbody>
</table>
EY IPO network in Canada

Bill Demers
Canadian IPO Leader
+1 416 943 3055
bill.l.demers@ca.ey.com

Eric Spiekman
Professional Practice Director
National Accounting & Assurance
+1 416 943 3779
eric.spiekman@ca.ey.com

George Prieksaitis
Financial Accounting Advisory Services
+1 416 943 2542
george.w.prieksaitis@ca.ey.com

Karen Atkinson
Tax Services
+1 416 943 2172
karen.e.atkinson@ca.ey.com

Joe Telebar
Transaction Advisory Services
+1 416 943 3527
joe.telebar@ca.ey.com

Tony Ritlop
Risk Advisory Services
+1 514 879 2679
tony.ritlop@ca.ey.com

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity, Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

For more information about our organization, please visit ey.com/ca.

© 2014 Ernst & Young LLP. All Rights Reserved.
A member firm of Ernst & Young Global Limited.

1153701
ED0115

This publication contains information in summary form, current as of the date of publication, and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for professional advice. Before taking any particular course of action, contact Ernst & Young or another professional advisor to discuss these matters in the context of your particular circumstances. We accept no responsibility for any loss or damage occasioned by your reliance on information contained in this publication.

ey.com/ca