

Guide to going public in Canada

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pwc

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Introduction

Turning a privately owned enterprise into a publicly traded company through an Initial Public Offering (IPO) is a rigorous process that demands the interlocking efforts of skilled professionals drawn from legal, accounting, and underwriting backgrounds. It can be a daunting process and it can be difficult to know where to start, where to find the correct resources and, indeed, who to engage to coordinate those resources once they have been found.

Preparation for an IPO includes careful consideration of the pros and cons, a thorough understanding of the process, a well-thought-out business plan, strategic orchestration of action and clever positioning. Before you actually become a public company, you have to look like one. You need the policies, procedures and people in place that are expected of a publicly traded company and a track record of strong and sustainable earnings growth – or explosive potential. You must have a management structure with clear lines of authority, a strong and independent board of directors and a committee structure to comply with corporate governance requirements set out by the securities exchanges.

A typical IPO can take 100 days to complete. Companies considering going to the market need to be comprehensively prepared to act quickly when market conditions favour an IPO. As the markets continually show, the window for offerings can open and close quickly, and delay can be costly.

This publication can help you get started. It explains the IPO process, provides insights into the hurdles you will face and tips on how to tackle them.

If you're considering an IPO, we should talk. PwC IPO Services brings together a team of professionals with technical skills and industry experience to help you better understand what it takes to "go public." It will guide you through the entire IPO process and equip you with what you need to meet your obligations as a publicly traded company.

Please contact me or a member of the IPO Services team (contact details can be found on page 48) for a deeper conversation about the IPO process and what it means to you and your company.

Dean Braunsteiner

National IPO Services Leader

Recent IPO trends in Canada

The IPO market in Canada

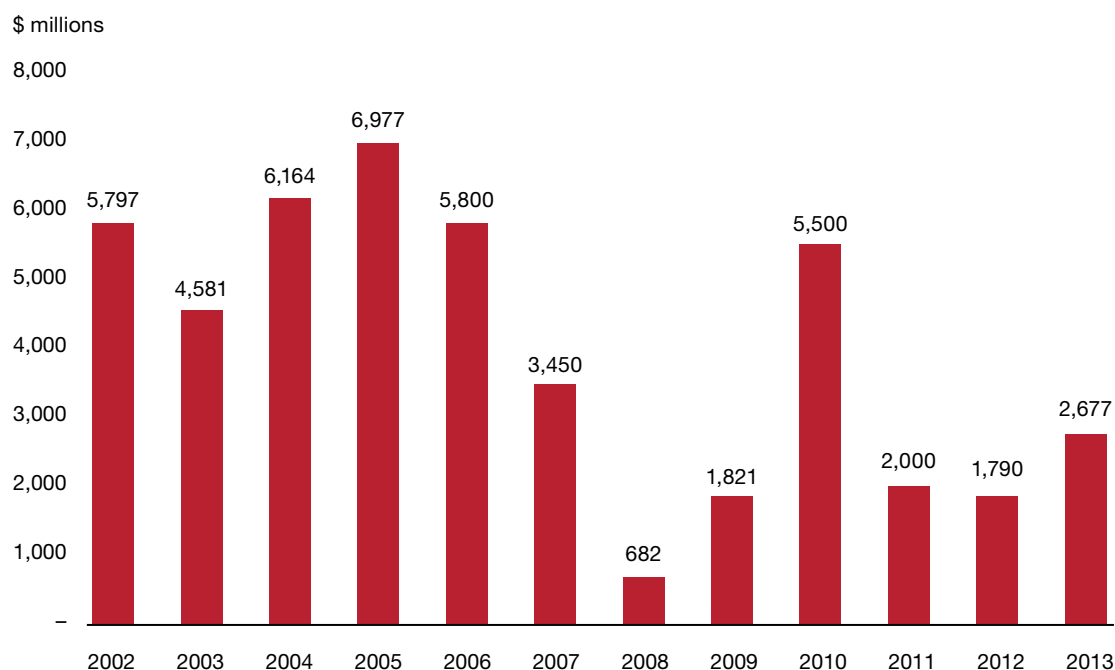
Canada's IPO market predominately consists of public offerings on the Toronto Stock Exchange (TSX) as well as the TSX Venture Exchange (TSXV). In addition, companies recently have been listing on other stock exchanges (such as the Canadian National Stock Exchange (CNSX) as well as listing abroad via the London Stock Exchange's AIM exchange. Over the last decade the Canadian IPO market at times was robust and hit a high of just under \$7 billion in new equity offerings in 2005. More recently, with the North American and global economic situation being more unstable there have been a more limited number of equity offerings.

The following chart illustrates the number of IPOs and the associated dollar value of equity offerings over the last decade. As you can see the IPO market was buoyant in 2010, reflecting three major transactions that contributed to 50% of

the total equity raised. Since 2010, the market has been on a bit of a roller coaster ride, with IPO volume and value levels below what Canada was used to prior to the credit crisis.

After a very slow start in 2013, and a lower volume of IPO's than 2012 the year ended with a total of 30 IPOs on all exchanges, delivering a strong \$2.7 billion in new equity for 2013, making a turn around for the 2013 Canadian IPO market and raising hopes for growth in 2014 (Source: PwC Survey of IPO activity in Canada January 2013 – December 2013).

From discussions with many companies and dealmakers, we know that a number of companies that were planning IPOs before or leading into the credit crisis put these plans on hold: As these plans are resurrected, we expect the IPO market to strengthen with cautious optimism.



Exit strategy

Is going public right for your company?

A company usually begins to think about going public when the funding required to meet the demands of its business begins to exceed the company's ability to raise additional capital through other channels on attractive terms.

But simply needing capital does not always mean that going public is the right answer. There are a number of questions that a company should ask itself before deciding to go public.

Going public – advantages and challenges

Companies go public for a number of different reasons from providing a mechanism to grow to implementing an exit strategy for shareholders.

Here are some of the key advantages of going public.

Key advantages of going public

Growth strategy	An IPO can provide capital to grow and opens up opportunities that may have been previously limited under existing cash resources. Successful companies can tap the equity markets again (secondary offerings) to fund further opportunities such as acquisitions, investments in plants and equipment or expanding R&D activities.
Exit strategy	Going public can provide a means to monetizing a portion of your (or your shareholders') investment. Note: This process may need to be completed in stages—your new investors will want to know that you are committed to staying on to run the company once public and continue to grow the business.
Improved liquidity	Similar to the exit strategy discussed above, a public offering can provide liquidity to your existing shareholders and provide an opportunity to increase wealth through selling a portion of their shares.
Increased market value/ valuations	The value of a public company tends to be higher than a private company due to the increased liquidity, availability of information and comparability to other public companies.
Financial flexibility	Going public may allow you more flexibility to execute your company's strategy. Funds can be used for acquisitions or to pay down debt. In addition, the issuance of new equity allows your debt to equity ratio to improve.
Stature and prestige	An initial public offering can take your company from limited visibility to high visibility. Going public can also give your customers and suppliers a greater sense of security in doing business with you.
Talent management	As a public company you can use shares and various stock options plans to attract and retain key talent. These plans give employees a chance to participate in the company's financial success and your company will benefit from their vested interest.

Challenges of going public

Like any large scale business change, the process of going public is not without its challenges. Increased costs, complex accounting and reporting requirements and the added spotlight of regulatory scrutiny, can make the process complicated.

Let's review some of the challenges of going public, we recommend that you give these factors some consideration to make sure you and your company are ready for public company life.

Challenges of going public

Increased costs	The initial costs of going public can be high, however this is a necessary part of getting a public listing. Once a public company, you will also incur higher costs due to shareholder and regulatory compliance costs in addition to audit and legal costs.
Increased infrastructure and time commitments	Once public, the demands on your management team are on-going. You are now a public reporter and every quarter you will need to publish interim financial statements, an MD&A as well as prepare for analyst and investor presentations. In addition, the infrastructure requirements can be significant—public companies need to have a Board of Directors and Audit Committee and these directors have fiduciary duties that they need to fulfil.
Regulatory environment and accountability to public shareholders	Public companies are subject to scrutiny by regulators as well as the investing public. Information that was once private (including salary information or competitive information) will now be disclosed in various public documents. In addition, the CEO's and CFO's of a public company need to certify to the correctness of the financial statements on a quarterly basis.
Potential for reduced flexibility in decision making	One of the most significant adjustments for owners who take their company public is the potential loss of decision making flexibility. As a public company you will need to adjust to a new way of life and involve your board and shareholders in key decisions.
Performance pressure	As a public company, shareholders will now eagerly await your quarterly reports and you will need to adequately communicate your long term goals so that they are not jeopardized by the market's emphasis on short term results, which can negatively impact on your share price.
Market volatility	External economic factors and fluctuations in the stock market (like those seen during the credit crisis) are out of your control but can affect the value of your company and employee morale.
Trading restrictions	Insiders have access to key information before the public, which means that you will be subject to certain blackout periods when you are unable to trade and also must exercise caution when discussing internal affairs. There may be times when you are unable to sell even though you want to or at times the disposal of your shares may be met with scepticism by other shareholders.
Loss of control and potential risk of takeovers	Company owners will have to share ownership decisions with other investors who will also have a say in how the business is managed and operated. There is a risk that control of the company can be taken away from the existing management if a dissident group of investors obtain majority control.

Getting ready for an IPO... What do you need to know?

Is going public right for your company?

A company usually begins to think about going public when the funding required to meet the demands of its business begins to exceed the company's ability to raise additional capital through other channels on attractive terms. But simply needing capital does not always mean that going public is the right answer. There are a number of questions that a company should ask itself before deciding to go public. Now that you've thought about the advantages and challenges of being a public company, let's review the current status of your organization.

This next section will focus on getting organized for an IPO to minimize the bumps down the road and to make the IPO process as smooth as possible.

- a. Getting your "house in order"
- b. Starting to manage like a public company
- c. Developing a public profile
- d. Establishing and retaining your key professional advisors
- e. Consider your IPO options

Remember an IPO process typically takes 100 days from beginning to end. Reviewing where you stand against these topics before you embark on the IPO journey will help you to determine whether this timeline is achievable and where your efforts should be focused.



Getting your “house in order”

Let’s take a step back—the following list is a summary of the common pitfalls and areas where we have seen companies experience delays in the IPO process or worse still, shelve plans of an IPO until the organization is ready. Assess your company and look for areas that need focus. This will ensure your company will have a successful public offering.

Note: the “Get your house in order” list is not exhaustive, but gives you some things to think about. At PwC we offer

an IPO Readiness Assessment, which is a cost effective way of examining the current status of your organization and enables us to assess your readiness for an IPO. PwC can provide an IPO readiness assessment which will help you review the critical areas needed for a successful float. The table below is an indicator of the areas that an IPO readiness assessment report will cover and how the potential impact on both the company’s resources and the actual IPO can be measured:

Undertaking an IPO Readiness Assessment helps the company review the critical areas needed for a successful offering. These areas include:

Group structure	Consideration as to which entity to list and which companies are to be in/out of the IPO group may impact the transaction structuring through tax planning, structure of financing arrangements, distributable reserves and share-based compensation arrangements.
Financial information	Preparation of the three year historical financial information for the inclusion in the prospectus. This may include an assessment of the complex financial history of entity including acquisitions or disposals, alignment of accounting policies with those required for a public company, including segmental reporting and identification of other disclosures needed to comply with IFRS, or other reporting requirements.
Corporate Governance	Assessment of corporate governance arrangements, including board composition and committee structures and changes needed to meet public company requirements.
Financial reporting procedures	Assessment of existing systems including IT systems, financial reporting systems, management reporting, budgeting and forecasting processes to identify potential weaknesses/opportunities for improvement in advance of the IPO.
Risk and compliance issues	Assessment of existing systems including money laundering controls, whistle blowing, code of conduct and internal audit.

Our experience

We can use our experience of the many successful IPOs we have been involved in to benchmark your organization and provide you and your shareholders with the proper perspective. Key areas to consider include:

How understandable and realistic is your business plan?	<p>Your business plan will be scrutinized by your underwriters and prospective investors—it will become an important part of your prospectus and marketing road shows.</p> <p>Consider your business plan:</p> <ul style="list-style-type: none"> • is it realistic; will it withstand the scrutiny of outsiders—is it consistent with your competitive landscape? • is it understandable and well documented—is it measurable, can it be explained to a lay person? • are you ready to communicate it to your underwriters and potential investors—is it well known by your senior management, and is everyone in your organization aligned with this plan? <p>As you consider the IPO process, it is time to think about your organization—do you have marginal products/divisions? Investors won't punish you for having losses but they will punish you if you retain money losing business units after the IPO (which might be considered a drag on operations).</p>
Review your contracts	<p>What works for a private company, may not necessarily work for a public company. Private companies often have agreements with shareholders re: buyouts or rights of first refusal. All agreements including compensation plans should be reviewed by legal counsel to make sure they are appropriate for a public company.</p>
Review your internal processes	<p>If the Company has typically operated with informal operating and reporting procedures, now is the time to make some changes. You don't have to invest in a significant ERP system, but you need to have reliable financial systems that will provide timely accurate quarterly reporting. You will also need to formalize certain processes so that the CEO/CFO can sign the quarterly certificates required by the regulators.</p>
Retain advisors	<p>It is important to retain key advisors such as auditors and legal counsel as they will be pivotal to the preparation of key documents during the IPO process.</p> <p>Your company's financial statements will need to be audited as part of the going public process. You will need to have 3 years of historical audited financial statements included in the prospectus and interim statements may need to be reviewed.</p> <p>The earlier your auditor is in place auditing the financial statements the better—it's always more costly and time consuming to reconstruct information after the fact.</p>
Evaluate the "bench strength of your team"	<p>Now is the time to look at your team and evaluate if you have the right depth of experience and expertise within your organization. Don't forget your senior management team will have to gain the confidence of a group of new investors.</p>
Address tax issues	<p>Proper tax planning in advance can minimize taxes related to the restructuring of your organization. A tax review is necessary to get your organization ready for a public offering as well as examining certain tax planning structures such as estate planning arrangements that are unique to private companies. Engage your tax professionals early in the process to allow for adequate time for planning and co-ordination with your other advisors.</p>
Evaluate related party transactions	<p>As a public company there will now be full disclosure of related party transactions. Evaluate whether these transactions should continue or be eliminated. Also consider—are there any compensation arrangements that should be brought more in line with market conditions.</p>
Evaluate litigation and potential claims	<p>Contingencies will be disclosed and reviewed as part of the IPO process. It is important to anticipate any business issues that may receive additional focus as part of the IPO process, for instance employee relations, union agreements and environmental matters. Can any issues/contingencies be resolved as part of getting your house in order?</p>

Starting to manage like a public company

Before you become a public company, you have to start acting like one and looking like one. Public companies have a management structure with clear lines of authority as well as a strong and independent board that can comply with

the appropriate corporate governance regulations. The better run public companies have formal processes for operating and financial reporting and have a level of depth at senior levels to enable future continuity.



TIP 1

Begin early to position your company for a public offering by ensuring that the sufficient number of years of audited financial statements are available before starting the IPO process. You will save fees, headaches and, most important, time. If you wait until “crunch” time to have multiple-year audits done, you may face two nasty surprises; first, higher costs for the reconstructed financial statements, and second, figures that may show that the company is performing at a level below what you expected.



TIP 2

Most public companies are required to report under International Financial Reporting Standards (“IFRS”). As a result your historical financial statements may need to be converted to IFRS to comply with public listing requirements. As part of getting your “house in order” spend some time with your accountants addressing IFRS, consider converting early and ensure your systems can provide IFRS ready information. In addition to this if the entity is an SEC issuer, they would be able to prepare their financial statements in accordance with US GAAP.

Management

As the key management of a company, you are the pivotal figure for the entire offering process. You are critical in making the strategic decision to go public. You evaluate the company's readiness, recruit the team, monitor the process and make the key decisions. Your leadership and vision will set the tone for the entire exercise.

Just as the team needs a good leader, the leader can't do it alone. You need a solid team that is prepared to continue the responsibilities of managing the company with the significant additional demands of preparing for and completing the initial public offering process. Your management team will come under close scrutiny as you take the company public. Investors will want to make sure that you team can meet its goals and their funds are well invested. Your team will need to be a cohesive unit that shares a long-term vision and demonstrates to prospective investors its depth of experience, expertise, commitment and integrity.

If your team doesn't measure up on all counts, you may need to hire additional personnel to add the necessary depth and improve your Company's chance of success.

Management experience in taking a company public is a definite asset. Investors look for executives who have a successful track record in building companies, who meet goals and who have demonstrated the ability to deliver shareholder value. You will have an opportunity to communicate your track record via the prospectus and road shows but you will also gain credibility by having key members of your team in place for some time.



Board of Directors

A strong board is an invaluable asset. Your directors will enhance shareholder value by bringing experience and specialized expertise, business contacts and an objective perspective to your company. They will also act as a key sounding board to you and your management team on key strategic decisions.

Corporate governance requirements are largely disclosure based. For example, issuers are required to disclose the members of the board of directors, in addition to those members who are not independent, along with the basis for that determination.

Depending on the market the issuer's securities trade on, requirements may be more onerous. For example, while TSX issuers have to provide a description of the roles and responsibilities of the CEO, the Chairman and chairs of each board committee, issuers on the TSXV are not subject to this requirement. Another such example is that TSX issuers need the attendance record of each director at board meetings; again, this is not a requirement for TSXV issuers.

In addition to disclosure requirements, audit committees are required to perform specific functions under the current regulations. Specifically, audit committees are to provide oversight of the external auditor; provide recommendations on the nomination and compensation of external auditors; approve all non-audit services; and perform a review of financial statements, MD&A, and annual and interim earnings press releases.

The Canadian regime is a lot less prescriptive than the U.S. requirements. For example, audit committee members for all TSX and TSXV issuers are generally

required to be financially literate; however, for NYSE and Nasdaq issuers, all members "must be" financially literate and at least one member "must be" a financial expert.

From a Canadian compliance perspective, where there is questionable conduct by the issuer, management and/or the board, the shareholders, regulators and other interested stakeholders often attack the Board of Directors for a failure to properly oversee the management of the business. This is why a focus on compliance and controls, as well as effective risk management is important for oversight bodies.

Ideally, you want an independent board of directors with a broad range of expertise. The right mix and the right credentials will speak volumes about your company. As you know, attracting the right people can be easier said than done. Because of legal exposure, it can be a tough sell to attract the best board members. Securities laws hold directors responsible for "full, true and plain disclosure of all material facts" relating to the issuing of securities. Board members can be held liable for the information or lack of information in the prospectus. Although insurance can usually be obtained to protect directors against potential liabilities, such insurance is costly and cannot cover all eventualities or completely eliminate the risks.

So again, a timely and orderly approach increases your chances of attracting high-calibre board members. The more you look and act like a public company, the greater comfort there will be in joining your team.

Governance requirements can be complicated. Talk to your PwC contact to gain an understanding on the requirements and how we can help in getting your governance structure right.

Developing a public profile

Developing a public profile is a process that requires careful “hands on” management. In fact, it can be daunting if you’ve never before had to generate publicity. If that’s your position, consider hiring a public relations firm or an investor relations manager who has experience in handling the financial press and the investment community—and do so early in the game. It takes time to build a company’s image, however with the emergence of online media developing a public online presence can be done quickly and effectively. The earlier you start to build your story and foster media contacts, the more credibility, name recognition and momentum you will have going into the offering process.

As noted above, your business plan needs to be understandable and realistic. The ideas for your company as well as the growth prospects need to be well articulated and realistic to attract investor interest. Your organization needs to also show a habit or a trend of meeting its goals and objectives. This will inspire confidence in your potential investors.

A good investor relations firm will:

1. synthesize your information into presentations and make it investor friendly;
2. ensure that the presenters and road shows convey your message;
3. help train key individuals on presenting at the road shows; and
4. post IPO, support the company as you continue to communicate with investors.

Establish and retain your key professional advisors

The process of going public is intense, having well established relationships with your professional advisors, people you can trust, is very important. You need advisors who you can rely on and who you are completely at ease with a team of advisors who will be there for you in the heat of the battle! When selecting and putting your team together consider the following fundamental traits:

Rapport – simply put, you need to be able to get along with your advisors. The going public process is intense and subject to a time crunch that you cannot allow personality conflicts to hinder the process.

Reputation – you need professional advisors who are experienced, that have the highest integrity and are known for quality work. They should know your industry, be familiar with the IPO process and be able to deliver the range of services you may need.

Response – You should expect quick and responsive action. The IPO process is a high priority for you and needs to be a high priority for them.

What some of the key professional advisors will do during the IPO process?

Lawyers

Lawyers often will assume a coordinating role throughout the offering process. They can be called upon to:

- Evaluate organizational structures and working with your tax advisors streamline the corporate structure.
- Assist in the preparation of the prospectus.
- Issue legal opinions.
- Evaluate disclosures and assist with regulatory matters.

- Review your game plan, sharing the benefit of their experience with other companies of similar size and industry focus.
- Help establish a reasonable timetable.
- Provide valuable input into the prospectus and help you avoid common pitfalls during the IPO process.
- Advise on internal controls and financial and operating systems.
- Help you respond to questions from securities regulators.
- Issue consent letters to the regulators.



TIP 3

When retaining professionals for the first time inquire about their experience working on an IPO and ask them to clear any conflicts. Check their references and negotiate fee arrangements including engagement letters early in the process... get the administrative stuff out of the way.

Considerations when looking for legal counsel

- Experience with securities law and dealing with regulators.
- Experience in your industry.
- An established profile counsel who has worked with underwriters and auditors before.
- Quick and responsive turnaround.
- Good chemistry You will be spending a lot of time together.

Auditors and accounting advisors

Your auditors and accounting advisors play a critical role in helping you make informed and intelligent decisions about going public and getting your house in order. Your auditors and accounting advisors will:

- Audit and review the historical financial statements required in the prospectus.
- Assist in evaluating whether going public is the company's best option and explore alternatives with you.

Considerations when looking for auditors and accounting advisors

- Experience with initial public offerings.
- Experience with your industry.
- A firm that provides a broad range of services (including Tax, Valuations and Corporate Governance assistance).
- An established profile within the underwriting community.
- Quick and responsive turnaround of work.
- A firm that will support you when public and be there as you grow nationally and internationally.
- Good chemistry, again, you'll be spending a lot of time together.



TIP 4

Sometimes the best information you can obtain on a potential underwriter is through informal processes. Ask for a list of past IPOs that the underwriter has served in a similar capacity to your planned IPO. From this overall listing, select a few and call for a reference. Ask them some, if not all, of the questions already suggested, as well as these: Would you use the underwriter again and, if so, is there anything you would change? How did the pricing process go? Did the underwriter sell the over allotment? What surprises were there?

Other professional advisors

A public relations firm experienced in offerings can help guide companies through the marketing restrictions and make the most of the opportunities that do exist, help prepare materials for analyst presentations, and coach management in their presentation skills.

Underwriters

Your underwriters put it all together. In essence, they have a sense of what sells, an instinct for timing and the savvy to anticipate market and investor appetite, you want the very best representing your company.

The lead underwriter

- Assists in developing the prospectus.
- Advises on the timing of the offering and the ultimate share price.
- Co-ordinates the road show.
- Puts together a group of underwriters to sell the shares.
- Provides after-market support and advice.

Your selection of an underwriter is a critical part of planning your public offering. It's a courting process that should start well before the offering takes place. While you're evaluating the various investment banking firms, they in turn will evaluate your company and your likelihood of success before deciding whether they'll undertake the offering. Adequate lead-time allows each side to develop the necessary level of comfort and knowledge to create a positive team environment.

Initiating an early relationship allows you to sell your story over time and to demonstrate positive milestones. You begin to establish credibility with underwriters by demonstrating growth and a track record, as well as a history of attainable budgets and positive actual results, all essential ingredients for a successful IPO. Ultimately, your company will seek out one investment banker as the lead underwriter for the offering. The lead underwriter will put together a group or syndicate of other investment banking firms to assist in selling the securities.

What you should look for in an underwriter

An established IPO track record. Does the underwriter have recognized experience in your industry and in the type of security you want to offer? Are transactions ultimately priced within the original, estimated range? What percentage of transactions go through to completion? How have previously handled equity offerings performed in the aftermarket? These are strong indicators of the underwriter's experience.

Solid reputation

Look for underwriters who have credibility with investors, both institutional and retail. A lead underwriter should command peer respect in order to be able to put together a strong group to assist in selling and distributing the stock.

Distribution capabilities

Does the underwriter have a regional, national or international client base? How does that fit with your plans? Are the investors mainly institutional, pension plans, or retail?

Terms and conditions

What flexibility is there concerning the number of shares that can be sold by the current owners? Is there a requirement to hold your shares in escrow? If so, for how long?

What the underwriter looks for

Before underwriters agree to undertake the offering, you can expect them to take a long, hard look at your company. They'll review your company's business plan, analyze your financial statements and interview your key employees and likely suppliers, customers and external advisors. When they look at an IPO candidate, they're looking for a company with growth potential or with a unique product or service as well as strong management who have demonstrated their ability to set and meet goals; and a clean and solid corporate structure.

Letter of intent

When you've selected your lead underwriter, you'll meet to discuss the type of security to be issued, an estimated range of the offering price and the type of underwriting.

At this point, the underwriter will issue a "letter of intent" to formalize the arrangement. This letter is a non-binding working agreement that sets forth the general terms and conditions of the offering but does not create a legal obligation for your company or the underwriters to proceed with the offering. The letter of intent will eventually lead to the legally binding underwriting agreement. The provisions of the underwriting agreement are under constant discussion during the entire going-public process and are subject to revision based on market conditions. Generally, it is finalized and signed only at the point when the final prospectus is ready for distribution.

With respect to the type of underwriting, your investment banker will propose one of two types:

- Best Efforts, which means the underwriting firm agrees to use its best efforts to sell the issue but is not obligated to purchase unsold securities. The proceeds to the Company are the number of shares sold multiplied by the offering price less underwriter commissions.
- Bought Deal, which means the underwriter agrees to buy all of the issue and as a result assumes the risk for any unsold securities. This is certainly the preferred option from the company perspective, however is not always available. The commitment is not made until the exact offering price is set, which is just prior to the effective date of the prospectus. This way, the issue can be priced according to current market conditions. The proceeds will be equal to the amount agreed to be bought less underwriters commissions.



TIP 5

You need to be in constant communication with your underwriter over pricing. This includes monitoring investor interest as well as reviewing peer and industry market multiples to assess the IPO price. Keep an eye on economic news and how the market is behaving as these factors will also impact the pricing and potentially the timing of your IPO

The underwriting agreement

The actual underwriting agreement, covers the matters included in the letter of intent, as well as the type of offering; warranties by the company; indemnification of the underwriter against liabilities arising under securities laws; and conditions

and events that must occur before the underwriter takes you to market, including the receipt of a comfort letter from your independent auditor, the lock-up period, and the time and location of the closing.

Considering your IPO options

Companies can choose from a variety of exchanges to go public on. The decision depends on the size of your company,

the listing requirements, as well as which exchange provides investor interest in your company and industry.

Public exchange alternatives

1. Toronto Stock Exchange (TSX): The TSX is Canada's major stock exchange and primarily provides listings for larger companies from a variety of industries.
2. TSX Venture Exchange (TSXV): The TSXV is Canada's junior exchange and provides listing opportunities for emerging companies that do not meet the requirements of the TSX. Companies can go public on the TSXV and then graduate to the TSX as the company grows and matures.
3. Other alternatives for Canadian companies include the Canadian National Stock Exchange (CNSX) or AIM (London Stock Exchange) for international smaller size but growing companies.

In addition to the above, Canadian companies also have opportunities to list on the US exchanges such as the NASDAQ or NYSE. Companies can choose to list only on the US or dual list with a listing on the TSX concurrently. A US listing can add to prominence and may make sense depending on the Company's market and anticipated growth, but it should be noted that US listings can be complex and regulatory requirements are more onerous than those found in Canada. However, the introduction of the Jumpstart Our Business Start-up's Act (JOBS Act) in the United States has reduced some of the onerous requirements for small businesses. The Canadian market is considered economically stable with a liquid market. The strong banking system in Canada is considered to be the centre of the stable and liquid market. This makes Canada an attractive market to potential IPO candidates. More information on going public in the US can be found on page 34.



Listing requirements TSX & TSXV

The minimum listing requirements of the TSX and TSXV depend on the exchange and the industry sector. The TSX and TSXV divide each industry sector into tiers based on the stage of development, historical financial performance and financial

resources of issuer. These minimum listing requirements are summarized in Appendix 1 and 2 for your reference. They get updated frequently—so we recommend you also check www.tmx.com/en/listings/listing_with_us/index.html.

TSX

The TSX has industry specific minimum listing requirements for the following sectors:

- Exploration & Mining
- Oil & Gas
- Industrial
- Research and Development
- Technology Companies

The TSX refers to “exempt” companies as more established companies and less established companies as “non-exempt”.

TSX Venture Exchange

TSXV companies are usually at an earlier stage of their development and as such listing requirements are adjusted accordingly.

The TSXV has minimum listing requirements specific to the following sectors:

- Exploration and Mining
- Oil and Gas
- Industrial or Technology
- Research and Development

TSXV refers to its more established companies as Tier 1 issuers and less established as Tier 2 issuers.



Going public...the initial public offering

IPO Process timeline

Once you have engaged your key advisors and made the decision to go—the IPO dash is now on. Typically an IPO process takes about 100 days—this is a very intense period with a number of deadlines and multiple priorities. The following chart summarizes the typical IPO timeline.



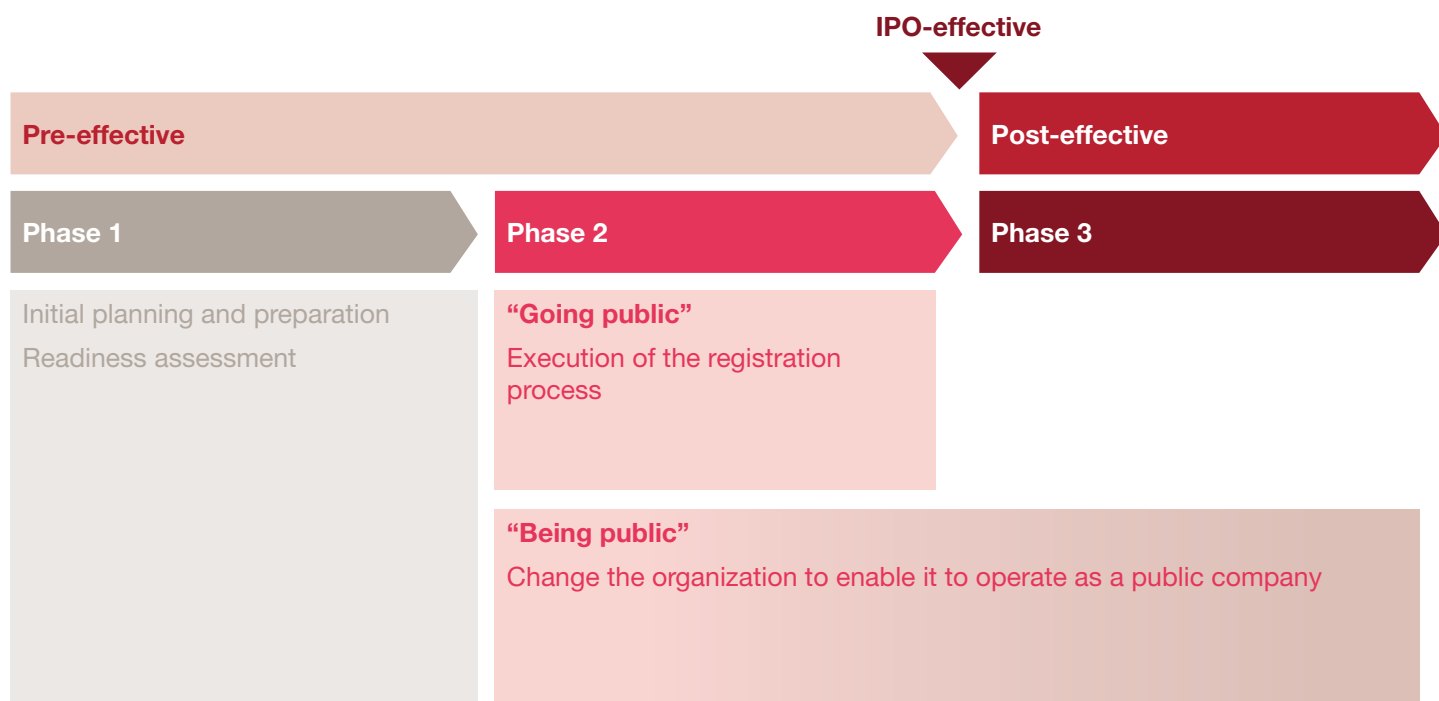
TIP 6

The IPO will throw a number of managerial challenges your way—consider the following options to assist in making your IPO successful:

Elect an “IPO champion” who will be responsible for receiving, coordinating and delegating requests from the various parties (underwriters, advisors, regulators)—this will avoid the consistent barrage for additional information and will facilitate better coordination and fulfillment of requests. Usually this is a senior individual within the organization e.g. Internal Counsel or the CFO.

Consider delegating more responsibilities of running the business to other key individuals during this intense time period—you and a number of key senior staff will be needed for the IPO and will be out of town on the road show. Plan for this, so that the business doesn’t come out of the IPO process weaker than when it went in.

Indicative IPO process timeline



An overview of the offering phase

During the offering phase, the prospectus will be put together by your team of underwriters and advisors. At the same time the underwriters will begin a process of due diligence on your organization and key individuals, be prepared to provide a lot of information and be available to answer a lot of questions. Once the preliminary prospectus is completed this will then undergo a regulatory review; regulators deal with a number of prospectuses at the same time so it's important to get in the queue with a good product (allow for two weeks turnaround here). Your advisors, lawyers, accountants and underwriters will assist in answering

the regulators questions. Throughout this period your team will pull together a presentation for the road show—using the preliminary prospectus and your investor presentations you will perform a series of road shows, taking your story across the country or internationally (if applicable) to potential investors.

Throughout, your underwriters will be monitoring interest from investors and evaluating the offering's likelihood of success. In the last days of the process you will set a final price and file your final prospectus. Finally your underwriters will sell the shares as part of the IPO and deliver the proceeds.

A detailed look at the offering process

The go-ahead meeting

The offering process officially gets under way with an “all hands” meeting of what will become known as the working group. Your company executives meet with the working group (consisting of your lawyers, auditors, lead underwriters and your underwriters' counsel) to establish relationships, responsibilities and time frames.

It is important that one person (from your organization) is identified and clearly acknowledged as having coordination responsibilities (“IPO Champion”).

In addition, the company must have an ultimate decision maker for all issues that may arise during the IPO process.

As a group, areas of responsibility for gathering relevant information, preparing different parts of the prospectus and deadlines for completed work will be agreed to. A great deal of information may be available, but the information must be factual, verifiable and traceable to the source. Your team will determine the availability of each of the group members, develop a timetable and circulate a group list of names and contact numbers.

Preparing the prospectus

Essentially, the prospectus is a document that provides the necessary information to allow investors to make reasoned and informed decisions. It includes the history of your company and outlines future prospects and risks associated with the investment in your company's securities. It also describes the securities to be issued and outlines how the proceeds from the sale of the securities are expected to be used ("use of proceeds").

The content, the sequence of information and the form of the prospectus are set out in provincial securities acts but may vary according to industry, size of company and the nature of the offering.



TIP 7

Even with an experienced team of advisors, make sure your company takes an active role in controlling the progress of the IPO. Ask for an initial timetable and measure against this continually. Remember, of all the parties involved, the company has the most at stake.

You know your business best, so make sure you are reviewing the drafts of the prospectus as they are put together—don't relinquish this responsibility completely to the underwriters or professional advisors—you need to ensure that the prospectus tells your story and that investors understand your business and what your company stands for.

The preliminary prospectus

The first step is to prepare a preliminary prospectus, which is subject to regulatory review and includes all of the required information, except for the final price, the underwriters' commission, the final number of shares to be sold and the net proceeds. This information is decided in the last days of the offering and is included with any revisions in the final prospectus, which is also subject to regulatory review.

The prospectus is a committee effort. Individual team members submit their portions of the prospectus to the draft co-coordinator (usually legal counsel) who assembles the pieces to form a first draft, which is then circulated to the team for review. You can expect numerous revisions before all team members are satisfied with the final draft document.

The next challenge is to maintain a balancing act in the writing. The preliminary prospectus has a dual purpose: it's a selling tool and also a document designed to limit liability and provide

factual information to the investors. Though it's used as a marketing document to promote investment in your company, for liability purposes it also includes full disclosure of all risks associated with the offering. Because the basis of the prospectus is a standardized format, there is certain uniformity to every prospectus that is filed.

The respective provincial securities commissions are rigorous in reviewing the document to ensure compliance with the prescribed legislations. They will review the disclosures, risks and uncertainties as well as the financial statements and other information. Questions will come in writing and will be circulated to the working group to help you formulate responses.



TIP 8

Do you anticipate marketing and selling your securities in Quebec? This will require translation of the prospectus and other financial information into French—allow for the additional time and cost for this translation in your offering timetable.

Red herring

The printed preliminary prospectus is also known as “The Red Herring” because the cover is printed in red ink—that states that the prospectus is not yet final and that the content may be subject to completion or amendment. It reads as follows:

“A copy of this prospectus has been filed with the securities regulatory authorities in each of the provinces in Canada but has not yet become final for the purpose of the sale of securities. Information contained in this prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt is obtained from the securities regulatory authorities.”

The cover of the final prospectus reads like a fact sheet on the offering. It includes the name of the company and date of offering, a description of the securities being offered, the offering price, the market for the securities and the anticipated net proceeds to the company (some of this information is still bulleted at time of preliminary as these items are not finalized). It also includes the name of the lead underwriters and certain information about the underwriting agreement.

Contents

As a general summary, the contents of the prospectus break down into distinct components.

- Details of the offering itself, the nature of the securities, how the money will be raised and how the proceeds are expected to be used by the company (i.e. acquisitions, pay down debt, working capital needs).
- Description of the company, including any significant changes in its history. The disclosures will cover your principal products and services and intellectual property such as patents and trademarks, as well as significant markets (including your market share, the relative size of the market, recent studies), customers and competitive conditions. In addition investors are advised of the risk factors facing your industry and owning securities in your company. You will find this list exhaustive but a necessary evil in providing a detailed list of risk factors to potential investors.
- Detailed financial information, your company’s operating results, its capital structure and details of corporate debt. You’re required to provide a comprehensive financial picture, including three years historical audited financial statements as well as unaudited interim financial statements (depending on the timing of your offering).
- In a separate section, the prospectus includes Management’s Discussion and Analysis (MD&A) which discusses the operating results and the liquidity of the company.
- Disclosure of all material acquisitions and dispositions that have taken place over the two years prior to preparing the prospectus, along with their impact on the company’s operating results. Financial information may also be required for the acquired companies depending on their relative size to your company. In Canada, National Instrument 41-101 provides detailed guidance prospectus requirements. These should be considered carefully by a company wanting list.
- Detailed information on management, directors and principal shareholders, including background of individuals, details of remuneration packages and bonus plans as well as management shareholdings and any interest in the company’s material transactions.
- Finally, there is a discussion of income tax considerations for the investor, any legal proceedings in which the company is involved and an analysis of risk factors.

Undergoing due diligence

As part of the process, the lead underwriters and their lawyers conduct a thorough investigation of all aspects of your business. PwC can help plan this process end to end and help you develop a plan on how to execute this process. Due diligence is primarily performed for three reasons: to gather information for the prospectus; to be sure that all information that is material to the offering is included; and to confirm the accuracy of that information. Due diligence is a “...reasonable investigation... to provide

reasonable grounds for a belief that there has been no misrepresentation.” This process is primarily carried out over the first 60 days, and it requires time, patience and co-operation from management.

In addition to protecting the underwriters from potential liability for misrepresentations in the prospectus, the investigation assures investors that the prospectus contains full and true disclosure. This process also gives the underwriters a better understanding in order to present your company to investors.

Request list

Generally, the underwriters’ lawyers will compile a comprehensive request list for documents pertaining to your company. For example, you’ll need to provide corporate documents such as articles of incorporation, minutes of board meetings, detailed records of the company, a current list of all shareholders and so on. They’ll also want sales-related information, a list of your top customers and suppliers and any contracts and agreements with them, as well as documents regarding material assets and liabilities.

As part of due diligence, the lawyers will do a thorough review of your intellectual property. They will need to investigate

all financial information and corporate financing and securities matters, as well as your insurance coverage and claims, litigation and tax matters. They will also want to satisfy themselves that your company is in compliance with relevant government regulations. Finally, they will look at your HR policies, a list of employees, an organizational chart, your benefits plans, any collective bargaining agreements and details of union activities. This investigation will also include meetings with your auditors, your company lawyers and, in certain circumstances, other consultants.

Management questionnaire

Often, the underwriters' lawyers prepare a questionnaire for officers and directors of the company. In addition to seeking general information about the company, the questionnaire may question statements included in the prospectus, management background and experience, terms of employment contracts and compensation.

The process may even include extensive background checks on company executives. Your officers and directors must be prepared to answer all questions openly and honestly. The lawyers will look to verify information and identify any inconsistencies, misstatements or omissions.

Close inspection

The underwriters and their lawyers will visit your facilities to inspect your material assets. They may even contact customers, suppliers and others with whom you do business and hold meetings with your directors, auditors and other advisors. In addition, they will request a comfort

letter from your auditors with respect to financial data contained in the prospectus, this process includes underwriters "circling up" financial data and the auditor ensuring that this data agrees to your financial records.

Preliminary due diligence call

At the time of filing the preliminary prospectus, a preliminary due diligence call will be held with management and all of the key advisors.

Questions will be asked by underwriters' counsel of the various parties to ensure the prospectus contains factual and complete information.



TIP 9

The list of questions can be quite long, obtain the list of questions as early in the process as possible and script your written answers so you are ready for the call. Ask your advisors if there are any questions they cannot answer which they will refer to you, this way you are not surprised or caught off guard.

Regulatory review

Once the preliminary prospectus is agreed upon, it is printed and filed with the relevant securities commissions.

There is a brief pause in the process when you file the preliminary prospectus as the securities commissions conduct their first-stage regulatory review. Depending upon the activity in the markets, the securities administrators will usually issue a comment letter within two weeks outlining points of clarification, required revisions, requests for further information

and any other questions. There are often a number of questions or comments that require clarification from the company, your lawyers or your auditor. Usually your lawyer co-ordinates any required revisions.

If the changes from the regulatory review are extensive, you may need to file an amendment and distribute it to all those who receive the preliminary prospectus. Otherwise, changes that do not materially affect the offering are incorporated into the final prospectus.

Marketing the IPO

At the same time that you are preparing the prospectus, satisfying the probing questions of due diligence and trying to maintain business as usual, you also need to think about how you will present your story to potential investors. Once you receive the first comment letter from the securities administrators and are able to address their concerns, it's time to take your story on the road to institutional investors and investment dealers.

Not only do you have a narrow window of time to do so, you must also respect strict rules about the means of marketing your offering. Your primary information source is the preliminary prospectus which provides the basis for what's known as the "green sheet." Prepared by the underwriter, the green sheet is a summary of key information from the prospectus, often with comparative data on similar stocks.



The road show, the red herring and the green sheet

Armed with the red herring and the green sheet, you, your key executives and your lead underwriter will go on a whirlwind tour known as the road show. A series of presentations to the investment community that typically takes place in a number of different cities over a two-week period. The road show itself usually includes a prepared presentation showcasing the company's vision, its competitive position, its unique attributes and financial performance and its growth expectations, followed by a question and answer period. This is the core of the selling effort. The greater the interest you build, the more likely your IPO will be successful.

The competition for investor interest is often fierce, so make your road show a good one. In fact, because the road show can be one of the most important elements in a successful offering, you should call in your public relations or investor relations firm for assistance.

As excited as you may be about your IPO, you must be very careful about inadvertently disclosing confidential information during this pre-selling period. Remember to use and discuss only the information already made public through the preliminary prospectus and the green sheet. Talk to your counsel if you are uncertain whether certain information can be disclosed.



Tip 10

Road shows not only allow you to tell your corporate story but they also enable you to showcase to investors the talent, calibre and integrity of your management team through an organized, smooth presentation. It can be one of the most important elements of a successful offering. Maximize the value of your road show through planning, preparation and practice!



Due diligence update

Shortly before the preparation of the final prospectus, your working group of advisors will hold a meeting to update the due diligence. This gives all parties an opportunity to raise any questions they have about the offering or your company and to establish due diligence defences.

The final prospectus

Throughout the whole offering period, the underwriters are testing the waters in terms of pricing and market acceptance. General market conditions and the interest you generated with the preliminary prospectus and the road show affect the final decision on pricing and the number of shares.

Although the underwriters usually recommend the final price and offering size, there is always room for negotiation.

The closing

Shortly after signing the underwriting agreement and the securities offering, there is a closing meeting with all those involved in the process. Legal documents are signed and exchanged, after which you receive the net proceeds of the offering in exchange for the securities that have been issued.



As such you should monitor market conditions in order to help you negotiate the final pricing decision.

When the price and offering size have been established and the due diligence and regulatory review completed, you are ready to file the final prospectus. Once the final prospectus is filed and a receipt obtained from the securities commissions, the selling and distribution of shares may begin.

As part of the closing process a bring down letter is normally issued by the company's auditors. The bringdown letter is used to verify that the auditors support the initial comfort letter. The closing meeting is the official start of life as a public company.

Costs of getting ready and going public

The cost of becoming a public company can be significant and vary, depending on the size, the complexity of the offering and the form of the Company after it goes public. Costs are incurred in three stages:

STAGE 1

Preparing to go public

Costs in preparing to go public include audit and accounting fees, legal fees, possibly additional personnel costs, tax restructuring fees and directors' fees.

Audit and accounting

In order to file a prospectus you will need to have three years of audited financial statements. Many companies need to engage auditors to go back and audit historical information. In addition, you will need to consider your current reporting systems—can they handle your reporting needs? Can they provide reliable financial information to enable you to meet quarterly reporting requirements?

Given that most public companies are required to report under IFRS you will have to give some consideration to your organization's readiness to convert to IFRS if currently reporting under different accounting standards. Consider adopting IFRS early to simplify your accounts going forward.

Legal fees

You will likely incur legal fees in getting your house in order; improving your corporate governance, reviewing key contracts and as well as examining existing disputes.

Additional people costs

Consider your organization—do you have the necessary bench strength to carry you through this process? You may need to add to your current finance complement as well as enhance resources in other areas of your organization—this is common in an organization getting ready for life as a public company.

Directors' fees

In order to go public you will need to have a strong, Board of Directors in place, this comes with additional cost.

STAGE 2

The offering stage

During the offering stage things heat up and your organization will incur costs in the following areas.

Underwriters fees

The underwriters receive a commission for actively marketing and taking your company public. Their fee is usually a percentage of the IPO proceeds and can range from 4-10% of the gross proceeds of the offering depending on the size and type of offering.

Underwriters' fees are the largest single component of the public offering costs. The percentage commission paid may be subject to negotiation, but this will depend on the size, complexity of the offering as well as nature of underwriting.

Additional compensation may go to the underwriters in the form of warrants (the right to purchase shares in the future at a specified price), this is all part of the negotiation.

As with all professionals you will also need to pay out of pocket expenses incurred which can be significant due to the marketing effort and road shows.

Audit & accounting fees

During the offering process your accountants will get quite busy as depending on the status of your audits, these will also need to be completed. Your auditors will also be responsible for providing a "comfort letter" to your underwriters. In addition, they will be reviewing the prospectus, possibly performing interim reviews, assisting with the regulatory responses and participating in due diligence sessions.



TIP 11

During the IPO process, everyone around you including your staff and professional advisors will be working flat out. Naturally everyone is focused on getting the prospectus filed and completing the offering—but don't lose sight of the costs you are incurring to avoid nasty surprises. Select one senior member of your team as the "fee champion" and have them request bi-weekly estimates of time and costs incurred from each of your advisors. This way you have a good handle of the costs as you move through the IPO process.

Legal fees

The amount of fees incurred during this process will depend on the complexity of the offering. Regulatory review comments as well as the number of versions of the prospectus directly impact the legal costs. As well, you will be required to reimburse the underwriters' legal costs as part of the prospectus work.

Other costs

1. Marketing & Road Show Costs – In order to tell your story to the investment community you will need to prepare marketing and presentation material. You will likely need to engage an Investor Relations firm who will assist in getting your story out. You will be taking your story on the road, so travel and other costs will also be incurred.
2. Miscellaneous Costs – These costs include printing costs associated with the prospectus as well as exchange filing fees, transfer agent fees, etc.

How much can the costs of going public add up to?

Well as you can see from above, it depends on the level of complexity and sophistication of your organization. But here are some ranges of the cost of an IPO:

Underwriters fees up to 10% of the IPO gross proceeds

+

Legal, Audit, Accounting costs on a smaller offering can range between \$200K-\$500K and on a larger offering can range between \$500K-\$1 M Plus

STAGE 3

After the offering – public company costs

Once public you will incur ongoing costs in order to comply with being a public company. These costs include annual audit fees, director costs, as well as annual meeting costs and investor relations costs.

These costs will vary depending on the relative size of your organization, the complexity and number of staff dedicated to being a public company.

Life as a public company

Transition and adjustment

The closing meeting is a point in time which marks the beginning of being a public company. You are now in the business of delivering shareholder value and you must learn to balance short-term market demands with long-term company objectives.

It can be difficult to get accustomed to working under a microscope. If you've been used to making all the decisions alone and calling all the shots, you have to learn to operate within a more structured environment.

In addition, you must also devote considerable time and effort to maintaining your market position and investor interest. If enthusiasm wanes, trading declines and thinly traded shares dilute the liquidity benefits you may have been seeking through the IPO. You may need an effective investor relations program to support interest in your stock.

Public accountability

It may seem that your new public company has become an information machine. You are now regulated under disclosure requirements to continually disclose timely and accurate information about your operations and financial results. Your public company is required to produce quarterly financial reports; to disclose material changes; to produce annual, audited financial statements, accompanied by

an MD&A and to distribute an annual information form with proxy material as well as hold an annual meeting of shareholders. You must also comply with the securities commission's electronic filing system, which requires you to file all your disclosure documents in a public disclosure data bank (a system for electronic document analysis and retrieval known as SEDAR).

The perpetual three-month calendar

One of the major challenges you face as a public company is to reset your company clocks to a three-month time frame. Security regulations require quarterly reporting of your operating and financial results. You generally have 45 days (60 days for TSXV companies) following the end of each of the first three quarters to provide your quarterly financial statements and MD&A and 90 days (120 days for TSXV) following year end to produce your audited financial statements with MD&A. You must also distribute an annual information circular and hold an annual meeting of shareholders generally within three months after each year end.

As part of the going public process a board of directors is established. This board and its committees (e.g. audit committee) now have responsibility to review the financial statements prior to public release. As a result, every quarter expect to have an audit committee meeting and a Board Meeting as part of their ongoing fiduciary process. Directors will expect detailed information as well as presentations from management so that they can fulfill their responsibilities.

These ongoing requirements make it critical to have strong financial reporting systems as well as the right individuals in place to execute the process of timely, complete and accurate reporting.

Internal controls

In addition as the CEO or CFO you will be required to complete a certification that is filed with the financial statements each quarter indicating that the financial statements are materially accurate and that there has not been a material change in your control environment.

National Instrument 52-109 Certification of Disclosures in an issuers annual and interim filings requires quarterly certification relating to internal controls:

- Have designed internal controls over financial reporting (ICFR) and disclosure controls and procedures (DC&P).
- Control framework (COSO).
- Disclose (in MD&A) material weaknesses relating to design.
- Report (in MD&A) changes in ICFR.
- Annual certification relating to internal controls.
- Evaluated effectiveness of ICFR and DC&P and disclosed conclusions in MD&A.
- Disclose (in MD&A) material weaknesses relating to effectiveness.
- After an IPO there is an option to file a special certification form (IPO/RTO) that provides reprieve from the internal control certification for the financial period end following the IPO date. This in effect provides one quarter of reprieve from the internal control certification requirements (i.e. if the IPO is in Q3 then the first full certificate including internal controls will be required for Q4).

Timely disclosure

Unfortunately, reporting isn't limited to four times a year. You are also required to disclose all news that materially affects the company good or bad; as promptly as possible. "As promptly as possible" means as soon as you have the full details and are satisfied that they are reasonably

accurate. Generally, you have 10 days to issue a press release, announcing any material change, that is, any change that can reasonably be expected to have a significant effect on the market price or value of the company.

Keeping investor interest alive

One of your most important tasks as a public company is to keep current investors and potential investors interested and to satisfy their requests for information. Your company will be under ongoing pressure from analysts and investors seeking information and you must be cautious about how you release information.

You will find that shareholders and analysts have a huge appetite for information. In addition to the information your company already provides, you will likely want to generate added interest through positive media coverage and influential analysts' reports on your company. These are two of the strongest influences on investment

decisions. Because analysts can be your conduit to investors, you will need to be prepared to deal with their ongoing requests as well as ensuring you comply with full disclosure regulations.

Responding to requests for information and soliciting coverage can be a huge drain on management time. The investor relations process must be carefully managed by people who understand the field. As such, you may want to consider hiring an investor relations manager either in-house or through contracted services, to help ensure you are projecting a strong and consistent image.

Tax planning

Like any significant transaction, going public has tax implications. Tax planning before the IPO will provide a company and its shareholders with the best opportunity to maximize the advantages and minimize the disadvantages of being a public company.

The tax issues that a company and its shareholders could face will vary depending on the circumstances. Engaging an experienced tax advisor early in the process is the best approach to ensure preparedness.

The following discussion will assist in understanding some of the key tax issues a Canadian company and its shareholders may encounter as a result of an IPO.

Company issues changes in tax rates

Before a company goes public, it may be a Canadian-controlled private corporation (CCPC). A CCPC is eligible for certain tax incentives which are not available to a public corporation.

For example, a CCPC is taxed federally at a reduced statutory tax rate (Small Business Rate) on a portion of its business income and enjoys refundable federal investment tax credits on qualifying scientific research and development expenses. A public company is taxed federally at full statutory tax rates on all of its income and, unlike a CCPC, can only access non-refundable federal investment tax credits on qualifying scientific research and development expenses. Provincial rules are similar in many circumstances.

The taxation of investment income is also different depending on whether it is earned by a CCPC or a public company. A public company's investment income is taxed at full statutory tax rates whereas a CCPC's investment income is subject to a refundable tax that accumulates in a refundable dividend tax on hand (RDTOH) account. The RDTOH is refunded to the CCPC when dividends are paid, effectively passing the taxation of such income to the shareholder. Prior to going public a company should plan to access all of its RDTOH as the balance is not accessible after the IPO.

Understanding how and why income taxes may increase is critical to the effective on-going management of taxes for a public company. There may be planning opportunities as part of an IPO to offset the loss of CCPC-related tax benefits.

Changes in profit distribution

A CCPC may have paid bonuses to key shareholders/ employees to reward performance and to lower corporate taxes. Dividends may have also been paid to distribute retained earnings and to access RDTOH. Some CCPCs might have paid capital dividends or returned capital to provide shareholders with tax-free distributions. As a public company, however, the approach to profit distribution will change. Consider these examples:

Bonuses – Bonuses paid by a public company to shareholders active in the business should still be deductible for tax purposes. However, the use of a bonus to reduce corporate taxes is not as relevant to a public company as to a CCPC. Typically the bonus paid by a CCPC to a shareholder active in the business is used to reduce corporate income to the Small Business Rate threshold.

Dividends – Dividends are a common way for shareholders of a public company and a CCPC to receive profits of a company. A CCPC and a public company can both pay “eligible dividends” to their shareholders. Canadian individuals that receive eligible dividends receive a higher dividend tax credit than for non-eligible dividends. A public company must first pay non-eligible dividends before it can pay eligible dividends. Non-eligible dividends are sourced to investment income and

business income subject to the lower Small Business Rate. Though a public company would not normally have these sources of income, a CCPC may. As a result, a CCPC needs to pay non-eligible dividends before the IPO or disclose to shareholders that some portion of future dividends may not be eligible dividends.

Capital dividends – A capital dividend account (CDA) is a notional balance of a private corporation (including a CCPC) that includes, among other items, the non-taxable portion of capital gains and losses realized by a corporation. A capital dividend can be paid from the CDA anytime and is tax-free to shareholders. Once a private company goes public it can no longer pay capital dividends to its shareholders. As part of any IPO planning steps should be taken to access the CDA.

Returning capital – A shareholder of a private corporation (including a CCPC) can receive the capital they invested in (or that is attributable to) a company’s shares without any tax implications. Returning capital is a common method of distributing profits to shareholders that typically precedes paying taxable dividends. A public company’s return of capital to shareholders will only be tax-free in limited circumstances and in general will be taxable to the shareholder in the same manner as a taxable dividend.

Changes in tax reporting

Becoming a public company will result in changes to the routine tax reporting processes with which management of a non-public company may be familiar.

The first change may be a deemed tax year-end on the IPO. If the IPO results in an acquisition of control of the company by one person or a group of persons, a deemed tax year-end will result and various rules requiring the realization and expiration of losses will apply. There may be circumstances where business losses are no longer available after the acquisition of control. Consulting with a tax advisor is recommended if an acquisition of control is expected to occur as planning opportunities may be available to minimize any potential adverse tax consequences.

Corporate income tax returns for a public company are due for filing at the same time as tax returns for non-public corporations (6 months after the taxation year-end).

However the statute of limitations for audits by the Canada Revenue Agency and provincial tax authorities is increased by one year for a public company (increased to four years federally and five years in some provinces). A public company must also have its income tax for a taxation year paid in full within two months of its taxation year end to avoid interest charges. Some CCPCs are permitted three months to make this final payment.

A company will also have incurred costs from the IPO transaction. Common costs include accounting and legal fees, investment banker fees, and other filing fees. Fees that relate directly to the issuance of shares are generally deductible over 60 months (5 years). Other fees may be deductible in the period of the IPO as a general expense or deductible at 7% per year on a declining pool basis on 75% of the expense. An analysis of all of the IPO fees is recommend to ensure the classification is correct and tax treatment optimized.

Return on investment

The prior comments regarding changes in profit distribution after an IPO are equally applicable to a shareholder of a public company. Determining the best way to structure shareholder profit sharing

will be an important consideration for shareholders of the company that want to remain active in the business and/or want their investment to grow together with the public company.

Taxation on the IPO

Shareholders of a company going public may choose to retain or sell their investment. In either case, it may be possible for shareholders to access their lifetime capital gains exemption on qualified small business corporation shares.

Planning may be required as part of the IPO to access this exemption. Common issues in planning to access this exemption include ensuring the company's shares qualify for the exemption and integrating the exemption into other estate and sale planning of the shareholder.

Estate planning and retirement planning

Shareholders may have organized their shareholdings of the company to allow other family members to participate in the company's growth. An IPO of the company may require these existing arrangements be revisited to ensure they are still effective. If a shareholder has not considered estate planning in the past, it may be considered as part of the IPO. It should be possible to reorganize shareholdings to allow

other family members to participate in the company's growth after the IPO. This and other planning should be considered in advance of the IPO transaction.

Once the company is a public company, its shares will qualify for RRSPs, TFSA's, and other tax-deferred plans. Investing through these types of plans may not have been available when the company was private.

Stock options

Both a private and public company can issue stock options to its employees. Since there is a market for a public company's shares, employees of a public company that receive options will be able to realize the benefit from their investment easier than with private company options. As a result of this liquidity, stock options are attractive for employees.

The taxation of stock options differs in some respects between a public and private company and the tax law associated with stock options is evolving. However, from an employee option-holder perspective,

the key benefit of having a stock option benefit taxed at half of personal income tax rates exists in both scenarios.

As part of your trusted advisor team, there should be a professional tax advisor who understands your current organizational structure as a private company and the implications once you are a public company. Private companies are taxed differently than public companies, proper planning can ensure that the Company and its shareholders maximize tax benefits before going public.

Going public in the United States

As with the rest of this publication, this is not a technical manual. The following is an overview of what is involved in taking a Canadian company public in the United States and why you might want to consider this alternative.

What draws Canadian companies to the US marketplace?

Companies consider a US listing due to the larger market which may mean access to more capital and increased trading volume in the shares of

your company. A US listing may make sense due to the company's market or competition as well as the increased visibility it can buy.

The IPO process

The IPO process in the U.S. is much like that in Canada. There is a similar time curve planning time up front, the “crunch” of the offering phase and ongoing compliance as a public company. The same principles of preparation apply. You have to weigh the advantages and disadvantages, consider the costs, put together a sound business plan and then put that plan into action. Before you take your company to the markets, you must do the necessary “housekeeping,” put together a team of advisors, ensure strong reporting systems are in place and have the required audited financial statements.

In April 2012, the Jump Start Our Start Up Businesses (JOBS) Act was enacted requiring the SEC to lift some of the more rigorous requirements for emerging growth companies. Some of the key considerations for emerging growth companies include: 1) the ability to file confidentially with the SEC; 2) the ability to prepare an IPO registration statement with only two years of audited financial statements; 3) the ability to omit certain selected financial information for periods preceding the first audited period presented in the registration statement; 4) the ability to adopt new accounting standards using the same time frame as private

companies (if applicable); and 5) the ability to comply with the SEC's detailed executive compensation disclosure requirements on the same basis as smaller reporting issuer. The actual offering process, the “all hands” meeting, the preparation of a prospectus, underwriter due diligence, the regulatory review, the road show and the closing are also similar in form. It's the content and the details that differ. The US has more rigorous disclosure requirements. The Washington-based Securities and Exchange Commission (SEC) ensures compliance through the applicable laws of the Securities Act of 1933 and the Securities Exchange Act of 1934, as well as various rules, policies, interpretations and enforcement proceedings of the SEC and its staff. Each state may have its own securities laws, although many states have adopted the Uniform Securities Act to ease the process of filing in multiple states.

The SEC will review an S-1 or F-1, the forms typically used in an IPO and this review can take 15-30 days to review from the initial filing of the registration statement, with the review process being iterative until all comments are adequately assessed.

The advantages of going public in the US (i.e. larger market, increased profile and sometimes more sophisticated understanding of your industry) need to be weighed against some of the disadvantages. The US regulatory and compliance environment results in additional reporting costs as external advisors such as accountants, auditors and attorneys will need to be significantly involved in all of your regulatory filings.

In addition to the more onerous reporting requirements (excluding emerging growth companies that apply for the exemptive relief permitted under the JOBS Act) your US public company may be required to comply with Sarbanes Oxley Act—which requires your auditor to attest on your internal control environment (depending on size)—a significant process for your management team and your auditors.

The US environment also may result in a higher risk of litigation towards your company as corporate litigation and the number and amount of awards are significantly higher in the US as compared to Canada.

It's important to make sure you have the right type of advisors with experience doing cross border offerings if you are considering a US offering. Talk to one of your PwC advisors to discuss the merits of a US listing and whether you qualify as an emerging growth company permitting certain exemptions under the JOBS Act.



Going public in the United Kingdom

London remains one of the most influential global financial centres. It owes much of its continuing appeal to its cosmopolitan status, the liquidity of the financial markets and the regulatory, business and political framework that supports those markets.

The London Stock Exchange (LSE) is one of the world's oldest exchanges and offers a wide choice of routes to market, for UK and international companies. Which market a company should consider will depend upon different criteria including the:

- stage of the company's development;
- complexity of the offer and securities issued;
- investors who are being targeted;

- size of the company;
- overall strategy and objectives; and
- eligibility.

NYSE Euronext recently opened its London platform, complementing their other European platforms in Paris, Amsterdam, Brussels. Eurotunnel SA was the first company to complete a listing on the London platform in June 2012.

Main market

The Main Market is the LSE's flagship market, regulated by the UK Listing Authority (UKLA).

A company can list on the Main Market in either the Premium segment or the Standard segment. These are the Financial Services Authority (FSA) listing categories that have been designed to help clarify the

regulatory standards that apply to a listing on the Main Market.

For a premium listing, the company must appoint a sponsor to provide declarations to the FSA as part of the IPO process. Diligence reports will also be required from a reporting accountant.

AIM

AIM is the LSE's market for smaller, growing companies. The market has a simplified regulatory environment which has been specifically designed for the needs of small and emerging companies.

AIM is an exchange regulated market. Companies wishing to join AIM must comply with the Exchange's AIM Rules.

Companies applying to AIM must appoint and retain a Nominated Adviser (NOMAD) to guide them through the admission process and to advise them subsequently as a public company. The NOMAD must be registered with the Exchange. (See the LSE website for a list of approved NOMADS).

The AIM Rules for Companies set out the requirements and guidance for companies quoted or wishing to be quoted on AIM. The admission document requirements are based on the FSA's Prospectus Rules with certain (optional) exclusions. Admission documents relating to a public offer in the UK will need to follow the FSA's Prospectus Rules and require the approval of the FSA. Certain tax incentives are available to individual and corporate investors and enhance the attractiveness of investing in AIM companies.

Professional Securities Market (PSM)

The PSM is a specialist exchange regulated market designed to suit the specific needs of companies looking to raise capital through the issue of specialist debt securities or depositary receipts

(DRs) to professional investors. Listing on this market may avoid the need for financial information to be converted to IFRS or an equivalent GAAP.

Specialist Fund Market (SFM)

The SFM is an EU regulated market for specialist investment funds and specialist property funds (including private equity funds, hedge funds, feeder funds (both single and multi-strategy), specialist geographical funds, funds with sophisticated structures or security types), targeting sophisticated investors.



Going public alternatives

Having now read this guide you are now ready to take your company public. If after reading this, you are now not so sure about going public directly, here are some other alternatives.

1. Reverse Take Over (RTO)	This option allows you to immediately obtain a public listing by taking over an existing reporting issuer (likely a shell company). These shell companies have often stopped operating and have no assets, but careful due diligence needs to be performed- acquiring all the shares results in assuming all of the predecessor's liabilities and contingencies. Talk to your business advisor about the merits of this type of transaction.
2. Capital Pool Company (CPC)	This is a unique listing vehicle offered by the TSX Venture Exchange for companies in the exploration, mining and oil and gas sectors. The program allows for founders to incorporate and list a shell company. The capital raised from this offering is used to acquire an operating company (known as Qualifying Transaction) that meets the listing requirements. This type of transaction is relatively new and care must be taken in following the prescribed steps to ensure the transaction qualifies.
3. Private Equity/Venture Capital (VC)	You may not be ready to go public yet, but need to raise capital. Private Equity or VC's look for companies that have growth potential and then ultimately seek an exit through a public offering down the road. Most will insist on having an active voice in the management of the Company and will take an equity stake.
4. Private placement	Similar to a VC in giving up some of the equity in your organization the private placement entails an offering of securities usually to a limited number of sophisticated investors by way of an offering memorandum. This process is simpler than an IPO, however usually results in a lower valuation and a ceiling on proceeds due to its relative size.
5. Selling the company	This is, of course, another exit strategy, but often has significant drawbacks. The sale of a private company may face a limited market and could result in lower proceeds than from selling shares in a public company. It may also preclude you any future upside from future earnings.



TIP 12

If going public is not right for your organization right now—there are lots of alternatives in the meantime. Careful consideration needs to be given to choosing the best course of action—at PwC, we provide a broad range of services and have a unique understanding of the market place that allows us to be your trusted business advisors. Let's have a conversation about the alternatives and options for your Company.

Appendix 1

TSX listing requirements

Listing requirements for industrial, technology, and research and development companies

Minimum Listing Requirements	TSX Non-Exempt Technology Issuers ^{1,7}	TSX Non-Exempt Research & Development (R&D) Issuers ⁷	TSX Non-Exempt Forecasting Profitability ⁷	TSX Non-Exempt Profitable Issuers	TSX Exempt Industrial Companies ⁸
Earnings or Revenue				Evidence of pre-tax earnings from on-going operations for the current or next fiscal year of at least \$200,000	Pre-tax earnings from on-going operations of at least \$300,000 in the last fiscal year
Cash Flow				Evidence of pre-tax cash flow from on-going operations for the current or next fiscal year of at least \$500,000 ²	Pre-tax cash flow of \$700,000 in the last fiscal year, and an average of \$500,000 for the past 2 fiscal years
Net Tangible Assets				\$7,500,000 ³	\$2,000,000 ^{3,4}
Adequate Working Capital and Capital Structure	Funds to cover all planned development expenditures, capital expenditures, and G&A ⁵ expenses for 1 year ⁶	Funds to cover all planned R&D expenditures, capital expenditures and G&A 5 expenses for 2 years ⁶		Working capital to carry on the business, and an appropriate capital structure	
Cash in Treasury	Min. \$10 million in the treasury, with majority raised by prospectus offering	Min. \$12 million in the treasury, with majority raised by prospectus offering			
Products and Services	Evidence that products or services at an advanced stage of development or commercialization and that management has the expertise and resources to develop the business ⁹	Minimum 2 year operating history that includes R&D activities. Evidence of technical expertise and resources to advance its research and development programs ¹⁰			
Management and Board of Directors	Management, including the board of directors, should have adequate experience and technical expertise relevant to the company's business and industry as well as adequate public company experience. Companies are required to have at least two independent directors				
Public Distribution and Market Capitalization	1,000,000 free trading public shares \$10,000,000 held by public shareholders	1,000,000 free trading public shares \$4,000,000 held by public shareholders 300 public shareholders each holding a board lot			
Sponsorship	Generally required				Not required

The listing requirements above must be met at the time of listing. Any funds raised or transactions closing concurrent with listing contribute to the company meeting the listing requirements.

- (1) Generally includes companies engaged in hardware, software, telecommunications, data communications, information technology and new technologies that are not currently profitable or able to forecast profitability.
- (2) Applicants should file a complete set of forecast financial statements covering the current and/or next fiscal year (on a quarterly basis). Forecasts must be accompanied by an auditor's opinion that the forecast complies with the CICA Auditing Standards for future-oriented financial information. Applicants should have at least six months of operating history.
- (3) Under certain circumstances, deferred development charges or other intangible assets can be included in net tangible asset calculations.
- (4) Companies with less than C\$2 million in net tangible assets may qualify for listing if the earnings and cash flow requirements for senior companies are met.
- (5) "G&A" means general and administration expenses.
- (6) A quarterly projection of sources and uses of funds, for the relevant period, including related assumptions signed by the CFO must be submitted. Projection should exclude uncommitted payments from third parties or other contingent cash receipts. R&D issuers should exclude cash flows from future revenues
- (7) Exceptional circumstances may justify granting of a listing, notwithstanding minimum requirements – generally an affiliation with established business and/or exceptionally strong financial position is required.
- (8) (7), as well as for granting Exempt status. Special purpose issuers are generally considered on an exceptional basis.
- (9) "Advanced stage of development or commercialization," generally restricted to historical revenues from the issuer's main business or contracts for future sales. Other factors may also be considered.
- (10) Other relevant factors may also be considered.

Appendix 2

TSX Venture Exchange listing requirements

Listing requirements for industrial, technology, and research and development companies

Initial Listing Requirements	TSX Venture Tier 1 Industrial / Technology / Life Sciences	TSX Venture Tier 2 Industrial / Technology / Life Sciences	TSX Venture Tier 1 Real Estate or Investment	TSX Venture Tier 1 Real Estate or Investment
Net Tangible Assets, Revenue or Arm's Length Financing as applicable)	\$5,000,000 net tangible assets or \$5,000,000 revenue If no revenue, two year management plan demonstrating reasonable likelihood of revenue within 24 months	\$750,000 net tangible assets or \$500,000 in revenue or \$2,000,000 Arm's Length Financing If no revenue, two year management plan demonstrating reasonable likelihood of revenue within 24 months	Real estate: \$5,000,000 net tangible assets Investment: \$10,000,000 net tangible assets	\$2,000,000 net tangible assets or \$3,000,000 Arm's Length Financing
Adequate Working Capital and Capital Structure	Adequate working capital and financial resources to carry out stated work program or execute business plan for 18 mo. Following listing; \$200,000 unallocated funds	Adequate working capital and financial resources to carry out stated work program or execute business plan for 12 mo. Following listing; \$100,000 unallocated funds	Adequate working capital and financial resources to carry out stated work program or execute business plan for 12 mo. Following listing; \$100,000 unallocated funds	Adequate working capital and financial resources to carry out stated work program or execute business plan for 12 mo. Following listing; \$100,000 unallocated funds
Property	Issuer has Significant Interest in business or primary asset used to carry on business		Real estate: Issuer has Significant Interest in real property Investment: no requirement	
Prior Expenditures and Work Program	History of operations or validation of business		Real estate: no requirement Investment: disclosed investment policy	Real estate: no requirement Investment: (i) disclosed investment policy and (ii) 50% of available funds must be allocated to at least 2 specific investments
Management and Board of Directors	Management, including board of directors, should have adequate experience and technical expertise relevant to the company's business and industry as well as adequate public company experience. Companies are required to have at least two independent directors.			
Distribution, Market Capitalization and Public Float	Public float of 1,000,000 shares; 250 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares; 20% of issued and outstanding shares in the hands of Public Shareholders	Public float of 500,000 shares; 200 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares; 20% of issued and outstanding shares in the hands of Public Shareholders	Public float of 1,000,000 shares; 250 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares; 20% of issued and outstanding shares in the hands of Public Shareholders	Public float of 500,000 shares; 200 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares; 20% of issued and outstanding shares in the hands of Public Shareholders
Sponsorship	Sponsor Report may be required			

Listing requirements for oil and gas exploration or producing) companies

	TSX Venture Tier 1	TSX Venture Tier 2
Net Tangible Assets, Earnings or Revenue	No Requirement	
Working Capital and Financial Resources	Adequate working capital and financial resources to carry out stated work program or execute business plan for 18 mo. following listing; \$200,000 unallocated funds	Adequate working capital and financial resources to carry out stated work program or execute business plan for 12 mo. following listing; \$100,000 unallocated funds
Distribution, Market Capitalization and Public Float	Public float of 1,000,000 shares; 250 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares; 20% of issued and outstanding shares in the hands of Public Shareholders	Public float of 500,000 shares; 200 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares; 20% of issued and outstanding shares in the hands of Public Shareholders
Sponsorship	Sponsor report may be required	
Property Requirements	<p>Exploration – \$3,000,000 in reserves of which a minimum of \$1,000,000 must be proved developed reserves¹ and the balance probable reserves</p> <p>Producing – \$2,000,000 in proved developed reserves¹</p>	<p>Exploration – either (i) Issuer has an unproven property with prospects or (ii) Issuer has joint venture interest and \$5,000,000 raised by Prospectus offering</p> <p>Reserves – either (i) \$500,000 in proved developed producing reserves or (ii) \$750,000 in proved plus probable reserves</p>
Recommended Work Program	<p>Exploration – satisfactory work program (i) of no less than \$500,000 and (ii) which can reasonably be expected to increase reserves, as recommended in a Geological Report</p> <p>Producing – No requirement</p>	<p>Exploration – minimum of \$1,500,000 allocated by Issuer to a work program as recommended in a Geological Report except where Issuer has a joint venture interest and has raised \$5,000,000 in Prospectus offering</p> <p>Reserves – (i) satisfactory work program and (ii) in an amount of no less than \$300,000 if proved developed producing reserves have a value of less than \$500,000 as recommended in Geological Report</p>
Management and Board of Directors	Management, including board of directors, should have adequate experience and technical expertise relevant to the company's business and industry as well as adequate public company experience. Companies are required to have at least two independent directors.	
Other Criteria	Geological Report recommending completion of work program	

(1) Proved development reserves are defined as those reserves that are expected to be recovered from existing wells and installed facilities, or, if facilities have not been installed, that would involve low expenditure, when compared to the cost of drilling a well, to put the reserves on production.

Listing requirements for oil and gas (exploration or producing) companies

	TSX Non-Exempt Oil & Gas Development Stage Issuers ⁹	TSX Non-Exempt Oil & Gas Exploration and Development Issuers	TSX Exempt Oil & Gas Issuers ⁴
Net Tangible Assets, Earnings or Revenue	No requirements		Pre-tax profitability from ongoing operations in last fiscal year. Pre-tax cash flow from ongoing operations of \$700,000 in last fiscal year and average pre-tax cash flow from ongoing operations of \$500,000 for the past two fiscal years.
Working Capital and Financial Resources	Adequate funds to either: (a) execute the development plan and cover all other capital expenditures & G&A ¹ + debt service expenses, for 18 months with a contingency allowance; OR (b) bring the property into commercial production, & adequate working capital to fund all budgeted capital expenditures + carry on the business. 18 month projection of sources & uses of funds signed by CFO ⁶ ; appropriate capital structure	Adequate funds to execute the program and cover all other capital expenditures & G&A ¹ + debt service expenses for 18 months with a contingency allowance; 18 month projection of sources and uses of funds signed by CFO; appropriate capital structure	Adequate working capital to carry on the business. Appropriate capital structure
Distribution, Market Capitalization and Public Float	At least 1,000,000 freely tradable shares with an aggregate market value of \$4,000,000; 300 public holders, each with one board lot or more Minimum market value of the issued securities that are to be listed of at least \$200,000,000	At least 1,000,000 freely tradable shares with an aggregate market value of \$4,000,000; 300 public holders, each with one board lot or more	
Sponsorship	Sponsor report may be required (generally not required for IPOs or TSX Venture Graduates)		Not required
Property Requirements	Contingent resources ⁷ of \$500,000,000 ⁸	\$3,000,000 proved developed reserves ^{2,5}	\$7,500,000 proved developed reserves ^{2, 5}
Recommended Work Program	Clearly defined development plan, satisfactory to the Exchange, which can reasonably be expected to advance the property	Clearly defined program to increase reserves	
Management and Board of Directors	Management, including the board of directors, should have adequate experience and technical expertise relevant to the company's business and industry as well as adequate public company experience. Companies are required to have at least two independent directors.		
Other Criteria	Up-to-date technical report prepared by an independent technical consultant (NI 51-101 ³)		

(1) "G&A" means general and administrative expenses.

(2) "Proved developed reserves" are defined as those reserves that are expected to be recovered from existing wells and installed facilities, or, if facilities have not been installed, that would involve low expenditure, when compared to the cost of drilling a well, to put the reserves on production.

(3) "NI 51-101" National Instrument 51-101 – Standards of Disclosure for Oil & Gas Activities – available at: <http://www.osc.gov.on.ca/>

(4) Exceptional circumstances may justify the granting of Exempt status notwithstanding the minimum requirements – generally an affiliation with an established business and/or exceptionally strong financial position is required.

(5) Reserve value of pre-tax net present value of future cash flows using a 10% discount rate; forecast pricing assumptions are used.

(6) This projection must also include actual financial results for the most recently completed quarter;

(7) "Contingent resources" are defined in accordance with Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101, however the Exchange in its discretion may exclude certain resources classified as contingent resources after taking into consideration the nature of the contingency. The Exchange will use the best-case estimate for contingent resources, prepared in accordance with National Instrument 51-101.

(8) The Company must submit a technical report prepared by an independent technical consultant that conforms to National Instrument 51-101 and be acceptable to the Exchange. Reports prepared in conformity with other reporting systems deemed by the Exchange to be the equivalent of National Instrument 51-101 will normally be acceptable also. The value of the resources should be calculated as the best-case estimate of the net present value of future cash flows before income taxes, prepared on a forecast basis, and discounted at a rate of 10%. The Exchange may, at its discretion, also require the provision of a price sensitivity analysis.

(9) The Exchange strongly recommends pre-consultation with the Exchange for any applicant applying under this listing category. Generally, this category will be limited to issuers with unconventional oil & gas assets, such as oil sands.

The following is a summary of the current financial and corporate governance disclosure requirements for the TSX and TSX Venture Exchanges in Canada

Disclosure	TSX	TSX V
Financial and Other Related Disclosures (National Instrument 51-102)		
Financial Statements and MD&A	Audited annual financial statements within 90 days of each financial year. Quarterly financial statements within 45 days of the end of each quarter.	Annual financial statements within 120 days of the end of each financial year. Quarterly financial statements within 60 days of the end of each quarter.
Annual Information Form	Filed annually. Supplemented throughout the year through subsequent continuous disclosure filings, including quarterly financial reports, news releases, material change reports and business acquisition reports.	N/A
Press Release	Reporting issuers must immediately issue a press release concerning any material change in the affairs of the issuer and must file a “material change report” respecting the material change as soon as practicable and in any event within 10 days of the material change.	
Selective Disclosure	Prohibited under Canadian securities law under insider trading and tipping laws which prohibit the disclosure of a “material change” or “material facts” concerning a public company which have not been broadly disclosed to the investing public unless such selective disclosure is made in the “necessary course of business”.	
Material Information	TSX require listed companies to disclose all “material information” which encompasses both material facts and changes. 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.	
Information Circular	Required to be prepared and sent to shareholders in connection with the solicitation of proxies for use at a meeting of shareholders.	
Business Acquisition Report	Must file a “business acquisition report” for issuers completing a significant acquisition. This report provides a description of the business acquired and the impact of the acquisition on the issuer. A core component of the report is to disclose whether the acquisition is “significant” for the issuer, and this is verified through the disclosure of three financial “significance tests”-the asset test, the investment test and the income test. The report also requires the inclusion of audited annual financial statements, interim financial statements, together with proforma financial statements giving effect to the acquisition.	

Appendix 2 – TSX Venture Exchange listing requirements

Disclosure	TSX	TSX V
Corporate Governance Disclosures (National Instruments: 52-109, 52-110, 58-101, 71-102)		
Corporate Governance (TSX) and TSX V	<ul style="list-style-type: none"> • Issuers are required to provide the following corporate governance disclosures: • Disclose the members of the board of directors; those members who are not independent, and the basis for that determination • Description of what measures the board takes to orient new directors, and what measures the board takes to provide continuing education for its existing directors • Disclose whether or not the board has adopted a written code conduct and the steps taken to encourage or promote a culture of ethical business conduct • Describe the process by which the board identifies new candidates for board nomination • Describe the process by which the board determines the compensation for the issuer's directors • Identify and describe all board committees (e.g. audit, compensation, nominating, and other). • Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution 	
Corporate Governance (TSX Only)	<ul style="list-style-type: none"> • Whether a majority of the board is independent and, if not, a description of what the board does to facilitate its exercise of independent judgment • Whether any directors hold directorships with other issuers and, if so, the names of the other issuers • Whether the independent directors hold regularly scheduled meetings separate and apart from the non-independent directors • Attendance record of each director • Text of the board's written mandate and, where there is not a written mandate, a description of how the board delineates its role and responsibilities • Description of the CEO, Chair and chair of each board committee and the role and responsibilities of each 	N/A
Audit Committee	<ul style="list-style-type: none"> • Board of directors must establish an audit committee for the purpose of overseeing the accounting and financial reporting processes of the issuer and the audit of its financial statements • Functions to be performed by the audit committee: • Oversight of the external auditor • Recommendation for the nomination and compensation of external auditors • Approval of all non-audit services • Review of financial statements, MD&A, and annual and interim earnings press releases • Committee must be composed of a minimum of 3 members. Generally, every member of the audit committee is required to be independent and financially literate • Every issuer must include in its prospectus, and in its continuous disclosure, certain information relating to its audit committee and each member 	

Appendix 2 – TSX Venture Exchange listing requirements

Disclosure	TSX	TSX V
Disclosure Controls & Procedures (“DC&P”), and Internal Controls over Financial Reporting (“ICFR”)	<ul style="list-style-type: none"> • DC&P and ICFR must be evaluated on an annual basis • Certifying officers (e.g. CEOs and CFOs) must individually certify annual and interim filings and their responsibility for the design and evaluation of DC&P and ICFR • On an annual basis, CEO and CFO must individually certify that: <ul style="list-style-type: none"> • They have reviewed the filings for greater certainty • The annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading • The financial statements, together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, based on that individual’s knowledge and having exercised reasonable due diligence • The certifying individual, along with the issuer’s other certifying officers, have: <ul style="list-style-type: none"> • Designed DC&P, or caused it to be designed under their supervision, in order to provide reasonable assurance that material information relating to the issuer is made known to the certifying individuals and that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by the securities legislation; and • Designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP • Any fraud that involves management or other employees who have a significant role in the issuer’s ICFR has been reported to the issuer’s auditors and to the board of director or the audit committee of the board of directors • No auditor attestation required unlike in the United States 	
Shareholder Meetings and Proxy Solicitation	<ul style="list-style-type: none"> • Directors of public companies are generally elected on an annual basis • Proxy Solicitation • Management can solicit proxies in connection with various matters reviewed annual or special meetings of shareholders • Management information circulars generally disclose: <ul style="list-style-type: none"> • Details of directors standing for re-election • Alterations in share capital • Amendments to charter agreements • Pending and/or actual mergers, acquisitions, or reorganizations • Any direct or indirect material interest that directors, executive officers and significant shareholders may have in matters to be acted upon or had in any material transaction occurring since the beginning of the most recent fiscal year • Details pertaining to executive compensation, and any indebtedness of directors and executives owed to the issuer 	

Appendix 2 – TSX Venture Exchange listing requirements

Disclosure	TSX	TSX V
Exemptions for Certain Foreign Issuers	<p>Apply to foreign issuers with U.S. reporting obligations, as well as foreign issuers with reporting obligations in certain other designated foreign jurisdictions.</p> <p>Enables these specific foreign issuers to satisfy Canadian continuous disclosure (i.e. amendments, material change reporting, financial statements etc.), proxies and proxy solicitation, and corporate governance obligations (i.e. insider reporting, change of auditor) by complying with their equivalent obligations in their local jurisdiction.</p> <p>Generally, foreign issuers must comply with the following criteria in order to be eligible for exemptions:</p> <p>Compliance with securities law requirements in local jurisdictions</p> <p>File a copy of the relevant disclosure document in Canada at the same time as, or as soon as practicable after, the filing or furnishing of that document with the SEC or other applicable foreign regulatory authority</p> <p>Provide Canadian security holders with the relevant disclosure document at the same time and in the same manner as security holders in the issuer's local jurisdiction.</p>	
Civil Liability for Misrepresentations Secondary Market Disclosure	<p>Issuers, certifying officers, directors, and executives could face civil liability under Canadian securities laws should in market participants acquire or dispose of the issuer's securities based on misrepresentations in certain secondary market disclosure</p>	
Corruption of Foreign Public Officials Act (Canada) ("CFPO")	<p>Reporting issuers and their directors, officers and employees are subject to the CFPO</p> <p>CFPO prohibits foreign public officials from using abusing their position, title or rank in order to influence any acts or decisions of a foreign state or public organization to confer an advantage in the course of business</p>	



Appendix 3

Glossary

After-market – Also known as the secondary market. The public trading of a company's securities after the initial public offering.

All hands meeting – Also known as the “go-ahead meeting.” The initial, full assembly of your offering team, including company officers, your lawyer, auditor, underwriter and underwriter's lawyer.

Analyst – A specialist who studies certain industries or stocks for the purpose of giving investment advice.

Best-efforts underwriting – Underwriters agree to use “best efforts” to sell the shares but are under no obligation to pursuant any unsold shares.

Bought deal – An underwriter's agreement to buy all the shares in the offering at a fixed price and to resell those shares to the public. Any shares not sold to the public are paid for and held by the underwriter.

Capitalization – The total amount of securities issued by a company, including, in certain circumstances, short and long-term debt.

Closing meeting – The meeting at which final documents are exchanged and the offering company receives its proceeds.

Comfort letter – A letter or letters that the company's independent auditor issues to the underwriter, detailing results of accounting and auditing procedures performed at the underwriter's request as part of the due diligence process.

Comment letter – The securities commission's response to initial or subsequent filings, stating the areas that have been found incomplete or for which further explanation is required.

Dilution – A decrease in the percentage of ownership of the Company.

Due diligence – A standard of reasonable investigation by the company's underwriters and directors affirming that the statements made in the prospectus are true and do not omit any material facts.

Effective date – The first day that securities of an offering may actually be sold—upon filing of the final prospectus and receipt from the securities commission.

Escrow – Also known as “lock-up.” An agreement imposed by the underwriters and/or securities regulators to prevent insiders from selling their shares on the market too soon after going public.

Final prospectus – See “preliminary prospectus.” The printed document filed and approved by the securities commission and used to sell shares to the public. Prepared in the final stages of an offering, it contains required information to help the investor make an informed decision and includes the number of shares being offered, the offering price, the underwriter's commission and the net proceeds from the sale.

Green sheet – A summary sheet prepared by the underwriter to help other underwriters and securities dealers understand the key elements of the offering contained in the prospectus.

Insider – Anyone with access to non-public information about the company, usually any officer, director or holder of more than 10% of a company's publicly traded shares.

Lead underwriter – The primary underwriter for the company with whom the offering agreement is made. The lead underwriter acts as the organizer and leader of the group of underwriters who will sell the securities.

Letter of intent – A non-binding agreement between the underwriter and the company stating an intention to complete an offering and specifying terms that will be contained in the final underwriting agreement.

Over allotment – A provision allowing the underwriter to buy a specified number of additional shares from the company at the offering price, in the event they sell more shares than agreed to in the underwriting agreement. (This is also known as the “green shoe option” because the Green Shoe Company was the first to use it.)

Preliminary prospectus – Also known as a “red herring.” An interim document filed with the securities commission and provided to prospective investors to allow them to make reasoned and informed decisions. It does not include the underwriter's commission, number and offering price of shares or net proceeds.

Price-earnings ratio – The price of a stock divided by its earnings per share.

Primary offering – The sale of previously unissued securities.

Proxy – A shareholder's written authorization for some other person to represent that shareholder and vote the respective shares at a shareholders' meeting.

Red herring – Also known as the “preliminary prospectus.” A document with distinguishing red ink on the cover to identify it as not being final.

Registrar and transfer agent – A person or institution appointed by the company to issue certificates to new shareholders, maintain current records of all shareholders, including addresses, and record the transfer of shares.

Registration statement – A U.S. document consisting of a prospectus and all other disclosures not required in the prospectus but required to be filed with the Securities Exchange Commission.

Road show – A management tour following the filing of the preliminary prospectus that consists of a series of presentations to potential investors in a number of different locations.

SEC – The U.S. Securities and Exchange Commission, an agency responsible for the administration of U.S. federal securities laws.

Secondary offering – A public offering of shares owned by existing shareholders. Transfer agent - See “registrar and transfer agent.”

Underwriter – The investment dealer with whom you reach an agreement to market your securities. See “lead underwriter.”

Underwriting agreement – A binding contract between the underwriter and the company, normally signed within 24 hours of the expected effective date of the offering. See “letter of intent.”

Window – The market window refers to the market's appetite to complete an IPO. An open window means many IPOs are being completed; a closed window means just the opposite.

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We can help

Our Initial Public Offering Services group can help guide you through the complexities of your IPO from beginning to end. We bring a network of more than 184,000 people in 157 countries around the world, including as required the services of legal, underwriting and other IPO-related specialists, to provide the strategic insight, industry knowledge and financial expertise you will need to successfully complete the rigorous IPO process. With our help, you will be equipped with what you need to realize your goals as a publicly traded company.

