

Going Public in Canada

January 2025

Goodmans^{LLP}

About Goodmans IPO Practice

Goodmans is internationally recognized as one of Canada's top capital markets law firms.

The firm has extensive experience assisting companies in going public, as well as market-leading expertise in a variety of specific industry sectors. Our team prides itself in being Canada's leading advisor to IPO issuers.

Goodmans has played a central role in developing Canada's domestic and cross-border IPO market across a wide range of industries, from natural resources, energy and infrastructure to real estate, financials and technology.

We are well known for our focus, creativity and skill in IPO structuring and execution, and have been a key advisor on many of Canada's IPO "firsts", including the first domestic REIT, the first domestic business trust, the first cross-border REIT, the first cross-border business trust, the first cross-border income securities offering, the first cross-border high dividend common share offering, and the first US REIT IPO in the world by a non-U.S. entity.

We are consistently ranked among Canada's leading lawyers by the major legal guides, including Lexpert, American Lawyer, Chambers, Euromoney, Law Business Research, Practical Law Company and Best Lawyers.

For more information on how Goodmans LLP can help you, visit us at www.goodmans.ca or contact any member of our **Capital Markets Group**.

Contents

GOING PUBLIC IN CANADA	7
Introduction	7
The Decision to Go Public	7
Reasons to Go Public	7
Access to Capital.....	7
Liquidity for Existing Shareholders.....	8
Enhanced Future Financing Options.....	8
Improved Ability to Complete Mergers and Acquisitions.....	8
Enhanced Corporate Image.....	8
Broader Employee Incentive Compensation Alternatives.....	8
Other Considerations	9
Loss of Confidentiality.....	9
Loss of Control.....	9
Administrative Burden of Complying with Continuous Disclosure and Other Obligation.....	9
Dealing with Ongoing Shareholder Expectations and Engagement.....	9
Initial and Ongoing Expenses.....	9
Loss of Certain Tax Advantages.....	10
Liability Regime.....	10
Lock-Up Requirements and Escrow / Resale Restrictions.....	10
When to Go Public	10
Size of the Company.....	10
Financial Track Record.....	11
Prevailing Market Conditions.....	11
Canadian Stock Exchange	11
TSX Listing Requirements.....	12
TSX-V Listing Requirements.....	13
PREPARING TO GO PUBLIC	14
Business Plan.....	14
Reorganization of the Business.....	14
Management.....	15
Financial Statements.....	15
Tax Planning.....	16
Internal Systems and Controls.....	16
The Role of Underwriters.....	16
The Role of Auditors and Comfort Letters.....	17

Board of Directors.....	18
Management Incentives.....	19
Preparing for Due Diligence.....	19
Testing the Waters.....	20
WHERE TO GO PUBLIC.....	21
Securities Regulation in Canada.....	21
Provincial/Territorial Regulation.....	21
Translation.....	22
Cross-Border IPOs.....	22
Disclosure Documents and Distribution.....	22
SEC Non-Public Review.....	23
Exchange Listing.....	23
Negative Assurance Letter.....	23
Communications with Potential Investors.....	24
THE PROSPECTUS PROCESS.....	25
The Organizational or "Kick-Off" Meeting.....	25
Due Diligence.....	25
Preparing the Prospectus.....	25
Description of the Company and Business.....	26
Financial Statements and Management's Discussion and Analysis.....	26
Pro Forma and Future-Oriented Financial Information.....	26
Risk Factors.....	27
Details of the Offering.....	27
Plan of Distribution.....	27
Use of Proceeds.....	27
Capitalization of the Company.....	27
Options to Purchase Securities.....	27
Prior Sales.....	28
Directors, Officers and Principal Shareholders.....	28
Executive Compensation.....	28
Material Contracts.....	28
Legal Proceedings.....	28
Escrowed Securities and Securities Subject to Contractual Restriction on Transfer.....	28
Promoters.....	29
Purchasers' Statutory Rights.....	29
Translation.....	29

Additional Disclosure Requirements.....	29
Additional Requirements for Mining Companies.....	29
Additional Requirements for Oil and Gas Companies.....	29
Reduced Requirements for Foreign Companies.....	30
Filing the Preliminary Prospectus.....	30
Confidential Pre-Filings	30
The Waiting Period.....	31
Clearing Securities Commission Comments.....	31
Amending the Preliminary Prospectus.....	31
Marketing and Road Shows.....	31
Listing.....	32
Pricing the Offering.....	33
Underwriting or Agency Agreement.....	33
Over-Allotment Option.....	34
Filing the Final Prospectus.....	34
PREP Procedure.....	34
Withdrawal Rights.....	35
Concurrent Private Placements.....	35
Communications During the Offering Process.....	35
Closing.....	36
Civil Liability and Investor Remedies.....	36
SAMPLE IPO TIMELINE.....	37
EXPENSES OF AN INITIAL PUBLIC OFFERING.....	39
Underwriters Commission.....	39
Legal and Accounting Fees.....	39
Listing Fees.....	39
Filing Fees, Printing Costs and Other Expenses.....	39
ESCROW AND RESALE RESTRICTIONS.....	40
REVERSE TAKE-OVERS, SPACS AND CAPITAL POOL COMPANIES.....	41
LIFE AS A CANADIAN PUBLIC COMPANY.....	42
Overview.....	42
Governance and Proxy Advisory Guidance.....	42
Continuous Disclosure and Reporting Obligations.....	44
Annual and Interim Financial Statements.....	44
Annual Information Form and MD&A.....	45
Shareholder Meetings and Proxy Materials.....	45
Exchange Reporting.....	46
Business Acquisition Reports.....	46

Timely Disclosure and Material Change Reports.....	47
Selective Disclosure.....	47
Insider Reporting and Trading.....	47
Early Warning Reports.....	48
Prospectus Liability and Civil Liability for Secondary Market Disclosure.....	48
Rules Concerning Related Party Transactions.....	49
Continuous Disclosure and Reporting Obligations in the United States.....	50
APPENDIX “A”	51
TSX Listing Requirements	51
APPENDIX “B”	52
TSX-V Listing Requirements⁽¹⁾	52
APPENDIX “C”	53
Glossary	54

Going Public in Canada

Introduction

Going Public in Canada was developed by Goodmans LLP to provide a practical overview of the initial public offering (“**IPO**”) process. The information in this guide is limited to the laws and guidance applicable to the Province of Ontario, although similar laws and guidance generally apply to the other provinces and territories of Canada. This guide provides general information only and should not be relied on as legal advice.

An IPO can be a complex process that involves multiple decisions and alternatives at each stage which influence the conduct of the parties and shape the nature of the process. Careful consideration of the path to be taken, and preparation for the tasks to be undertaken at each stage, can significantly streamline the “going public” process.

This guide outlines the essential elements of the IPO process in Canada and answers key questions faced by issuers considering going public, including:

- **Why** should an issuer consider going public?
- **What** must be done in preparation for an IPO?
- **How** does the going public process work?
- **Who** are the key parties involved in an IPO process?
- **Where** should an issuer go public (i.e., which jurisdiction(s) and on which exchange)?
- **When** will the process be completed (i.e., typical IPO timeline)?
- **What** are the principal ongoing disclosure and reporting obligations for public companies?

There are many different avenues to becoming a public company in Canada. This guide focuses on the most widely used and traditional method of going public: through a prospectus filing and stock exchange listing. This guide refers to “companies” for convenience, but issuers may take a variety of forms (e.g., trusts or limited partnerships in addition to corporations). This guide does not address requirements for investment funds.

The Decision to Go Public

Going public is an intensive and complex process that often involves significant changes to virtually every facet of the company’s operations. Before proceeding with an IPO, the company should evaluate whether it is well-positioned to issue securities successfully to the public and seriously consider the implications of becoming a public company.

Reasons to Go Public

Businesses and their owners can enjoy many potential benefits and opportunities by accessing the public capital markets in Canada. These advantages may include:

Access to Capital

One of the principal benefits of “going public” is the net cash proceeds of the offering, which may be used by the company to further its business objectives. This may include acquiring other businesses, research and development, adding to and/or modernizing facilities and assets, repaying debt and financing working capital requirements.

Liquidity for Existing Shareholders

Being public provides a company's shareholders with access to an active secondary market, enhancing the liquidity and value of their investment. At the time of the IPO, existing shareholders may have the opportunity to liquidate some, or all of their interest in the company. Additionally, the existence of a secondary market (or "aftermarket") for the company's securities post-IPO may provide a means for shareholders to liquidate their investment at a later time. In some cases, however, escrow and/or resale restrictions imposed by securities regulators and/or lock-up requirements imposed by the underwriters may limit an existing shareholder's ability to liquidate their holdings. See "[Escrow and Resale Restrictions](#)" and "[Lock-Up Requirements and Escrow / Resale Restrictions](#)".

Enhanced Future Financing Options

Once a public market for a company's securities is established, that company will generally have ready access to a broader range of financing alternatives, including additional equity issuances, convertible debt and rights offerings to existing shareholders and others. An expanded equity base may also improve the debt-to-equity ratio, permitting the company to raise additional debt, often on more favourable terms.

Improved Ability to Complete Mergers and Acquisitions

Subject to certain statutory restrictions, public companies enjoy the ability to issue liquid securities with a publicly quoted market value instead of paying a negotiated cash or share value in acquisitions. This may enhance their ability to complete strategic mergers and acquisitions. Further, vendors who wish to sell in exchange for securities to obtain a tax-free rollover, generally prefer to receive liquid securities.

Enhanced Corporate Image

A well-managed public offering can enhance a company's public image and visibility through press coverage and ongoing public disclosures. Public companies can enjoy broader corporate opportunities, greater ability to attract and maintain quality management and improved market awareness of their name and products or services. The company's enhanced public profile may also attract and facilitate dealings with customers, suppliers and other stakeholders who prefer to do business with established entities. Rigorous disclosure requirements applicable to public companies may also provide investors, customers and suppliers with more complete and reliable information compared to private companies.

Broader Employee Incentive Compensation Alternatives

A public market for a company's securities facilitates compensation of employees, management and directors through share-based compensation arrangements such as stock option plans, share purchase plans and long-term incentive plans by providing a clear measure of corporate growth and liquidity for incentive plan participants. In general, equity incentives of public companies are more attractive because the public market values shares independently, improving their marketability. Equity-based compensation aligns employee and shareholder interests and can increase a company's ability to attract and retain talent. A company preparing for an IPO may retain a compensation consultant to assist with the design and implementation of a "public company style" compensation plan that takes into account, among other things, current market practices and considerations and the company's various compensation objectives.

Other Considerations

Management and business owners must also consider the risks, drawbacks and ongoing obligations of going public. Though impacts can often be minimized through advanced planning, some of these include:

Loss of Confidentiality

Both the process of going public and subsequent rigorous ongoing continuous disclosure requirements lead to a loss of confidentiality. The company's prospectus and continuous disclosure documents will publish previously confidential information about the company, including its financial condition, competitive position and compensation paid to senior executives.

Loss of Control

Depending on the percentage of equity sold to the public, existing shareholders may risk losing control of their company. Existing shareholders may mitigate this by exchanging their current shareholdings into a new class of multiple-voting shares and offering a separate class of "restricted" shares with less than 50% of the voting power to the public. However, such structures may face resistance from institutional investors. These are addressed further under the heading "**Preparing to Go Public – Reorganization of the Business**".

If the post-IPO company has a broad shareholder base with no large shareholders, the company may also become susceptible to hostile take-over bids and proxy fights. Structural protections such as a shareholder rights plan can be implemented, but may face scrutiny, criticism and challenges from shareholders, proxy advisory firms and other corporate watchdogs.

Administrative Burden of Complying with Continuous Disclosure and Other Obligations

Following completion of the offering, management must devote a substantial amount of time to ongoing continuous disclosure and reporting obligations. In addition, procedural requirements and other limitations may be imposed in connection with certain transactions, such as related-party transactions, following a public offering.

Dealing with Ongoing Shareholder Expectations and Engagement

Many public investors focus on a company's short term financial performance because of the direct impact of current performance on the company's share price. Management is invariably influenced by this focus on "quarter-to-quarter" results, which may affect their ability to make decisions in the company's best interests and conflict with the company's long-term goals. From a corporate governance perspective, public companies, through their management and directors, are expected to engage directly with shareholders on an ongoing basis.

Initial and Ongoing Expenses

The upfront expenses of an initial public offering are significant (see "**Expenses of an Initial Public Offering**"). Additionally, ongoing costs of annual, quarterly and continuous disclosure reporting will lead to higher administrative costs, including professional fees for accounting and legal advice, as well as insurance and translation (if the securities are distributed in Québec), stock exchange fees, transfer agent fees and other expenses. Many companies also require additional staff to ensure compliance with their ongoing obligations, including additional accounting, internal audit and investor relations personnel.

Loss of Certain Tax Advantages

The decision to go public, like most significant business decisions, involves a number of tax considerations. There are certain tax advantages applicable to “Canadian-controlled private corporations” and “private corporations”, such as the small business deduction, capital dividends and refundable taxes, that become unavailable after a company goes public.

Liability Regime

Securities and corporate legislation impose significant obligations, penalties and personal liability, including fines, on directors and officers who breach their fiduciary duties to the company. Investors have the right to sue a Canadian public company and its directors and officers for making misrepresentations about the company or failing to make required timely disclosure. These lawsuits may take the form of class action suits, which can be very costly to defend and distract management from running the business effectively. While directors and officers must fulfil their fiduciary duties, adherence to good corporate governance practices and policies, together with corporate indemnities and directors’ and officers’ liability insurance, can contribute significantly to mitigating the risks associated with serving as a director or officer of a public company.

Lock-Up Requirements and Escrow / Resale Restrictions

Underwriters typically require the company, its directors, officers and employees and significant shareholders (sometimes expanded to capture all shareholders) to agree to “lock-up” their shares for a certain period of time following closing of the IPO (usually 180 days but this time period may vary). Accordingly, such persons are prohibited from trading or monetizing the company’s securities during the lock-up period without prior consent from the underwriters. The primary purpose of this lock-up mechanism is to avoid the negative optics and potential downward pressure on the company’s share price that may result from the sale of securities by persons close to the company shortly following the offering.

Securities legislation also imposes certain restrictions on the ability of controlling shareholders to resell their shares and a restriction on all original shareholders from selling their shares for a period of time after the offering is completed. See “[Escrow and Resale Restrictions](#)”.

When to Go Public

Timing is a critical factor in the success of any IPO. Poor timing may result in either a failed or delayed offering or a reduced price for the company’s shares. The following are a number of factors to be considered in determining whether the time is right for a company to go public:

Size of the Company

To attract institutional investors and to provide for a liquid trading market after the company has gone public, the underwriters may insist that the company have a meaningful market value. In addition, some stock exchanges have minimum financial criteria for listing (see discussion below under “[Canadian Stock Exchanges](#)”). In some cases, the company may want to consider acquiring or merging with another company to achieve the necessary scale to go public (possibly using the proceeds of the IPO to complete the acquisition).

Financial Track Record

A company's recent financial performance generally has a significant impact on the success and pricing of the IPO. Generally, audited financial statements for the most recent three financial years, plus the most recently completed interim period are required in the prospectus, offering investors the opportunity to evaluate the financial health of the company.

Prevailing Market Conditions

If general prevailing market conditions are not favourable, a company could face the possibility of selling its shares at a lower price than desired, having a smaller than desired offering or aborting the offering altogether. The underwriters will play a critical role in assisting the company in determining the most favourable time for its public offering.

Canadian Stock Exchange

The two most well-known stock exchanges in Canada are the Toronto Stock Exchange ("**TSX**") and the TSX Venture Exchange ("**TSX-V**"), both owned and operated by TMX Group. As of November 2024, the TSX and TSX-V have a combined total market capitalization of over C\$5 trillion.

The TSX is the senior exchange, with stricter listing requirements. The TSX-V is a market for venture capital issuers. The TSX-V is a tiered market, with the potential for issuers to graduate to the TSX. The TSX-V also operates TSX Sandbox, an initiative to give applicants that do not meet the TSX-V's traditional listing criteria the opportunity to participate in Canada's public company ecosystem.

A company's obligations are affected by the exchange on which its securities are listed, not only due to the differing requirements of the two exchanges (the TSX-V, given the nature of its smaller-cap issuer base, tends to exercise a greater oversight role) but also because regulatory requirements applicable to venture issuers are less stringent in certain respects, including the substance of and required time for making certain required disclosures, as well as certain governance requirements.

A company seeking to list on either exchange must meet specified minimum standards relating to financial performance and position, public distribution (shareholder base) and other matters. A company must file a listing application together with supporting information to demonstrate that the company can meet these minimum listing requirements and enter into a listing agreement with the TSX or TSX-V, as applicable, committing it to comply with ongoing exchange requirements. The application and supporting information typically includes:

- personal information forms (completed by directors and officers and holders of 10% or more of the company's voting rights and disclosing personal details, including residential, employment and if applicable, litigation history);
- a letter requesting conditional listing approval and providing other details, such as the company's requested ticker symbol (if not already reserved);
- a copy of the preliminary prospectus;
- stock option or equity incentive plan;
- copies of material contracts; and
- the appropriate listing fee.

The exchange also typically undertakes background searches on a company's officers and directors during the IPO.

Two other recognized stock exchanges on which issuers may wish to list in Canada are the Cboe Canada (formerly the NEO Exchange Inc.) ("**Cboe**") and the Canadian Securities Exchange ("**CSE**"). Cboe is a stock exchange for senior public companies and investment products that has been operating since 2015. The CSE is an entrepreneurial securities exchange that has been operating since 2003.

The following discussion regarding exchange listing requirements focuses on the TSX and TSX-V. Cboe's requirements are broadly similar to the TSX's requirements, while the CSE's requirements are generally less stringent than those of the TSX-V.

TSX Listing Requirements

For a listing on the TSX, the applicable minimum financial listing standards depend on two factors: (i) the category of the applicant company, and (ii) whether it is to be designated as an "exempt issuer" or a "non-exempt issuer."

Applicant companies are placed in one of three categories: Industrial (General), Mining, or Oil and Gas. For illustrative purposes, the listing standards presently applicable to Industrial (General) issuers (including technology issuers) on the TSX are set forth in the table attached as **Appendix "A"**. Issuers designated as "exempt" are exempt from the requirements to give the stock exchange prior notice of material changes and to seek exchange approval for related party transactions which do not otherwise require approval.

Generally, a listed company must have at least one million freely tradable shares (shares held by non-insiders which are free of resale restrictions) with a minimum aggregate market value of C\$4 million held by at least 300 public shareholders, each holding at least one "board lot." A "board lot" means 100 securities for securities that trade for C\$1 or more; 500 securities if the securities trade between C\$1 and 10 cents; or 1,000 securities if they trade under 10 cents. In addition, technology companies are required to have a minimum market value of at least C\$50 million for the securities they intend to list.

The management of an applicant company is also an important factor in the consideration of a listing application. The stock exchange will consider the background and expertise of management relevant to the company's business and industry as well as adequate public company experience. TSX-listed companies are required to have at least two independent directors, a chief executive officer ("**CEO**"), a chief financial officer ("**CFO**") (who is not also the CEO) and a corporate secretary.

For non-exempt issuers, sponsorship by a Canadian registered dealer or affiliation with an established issuer on the TSX can play a significant role in determining the suitability of a company for listing.

TSX-V Listing Requirements

There are two listing tiers on the TSX-V. Tier 1 comprises companies with greater financial resources that are subject to more onerous listing standards and ongoing listing requirements than tier 2, which comprises early-stage companies. TSX-V tier 2 issuers can graduate to tier 1 status upon meeting the tier 1 minimum listing requirements. Similarly, TSX-V tier 1 issues can graduate to the TSX.

For illustrative purposes, the listing standards presently applicable to Industrial/Technology/Life Sciences/Real Estate issuers on each of the two tiers are outlined in the table attached as **Appendix “B”**. Generally, a tier 1 company must have at least one million freely tradable shares with an aggregate market value of at least C\$1 million, held by at least 250 public shareholders, each holding one board lot or more. Tier 2 companies must have at least 500,000 freely tradable shares with an aggregate market value of at least C\$500,000, held by at least 200 public shareholders, each holding one board lot or more.

The TSX-V listing process typically places greater emphasis on an issuer’s business plan than the TSX, given the orientation of the TSX-V to emerging companies. An applicant for a TSX-V listing may be required to submit a management plan that outlines its reasonable expectation of earnings, working prototypes, test results or geographical reports to demonstrate the company’s viability. As with the TSX, sponsorship may be required in some cases.

The TSX-V requires issuers to have at least three directors (two of whom are independent), a CEO, a CFO (who is not also the CEO) and a corporate secretary.

Notably, while issuers on the TSX are generally required to adhere to a majority voting requirement under which directors must tender their resignation if they do not receive a majority (50% plus one) of the votes cast, there is no equivalent requirement for issuers listed on the TSX-V.

Preparing to Go Public

Careful preparation prior to commencing the IPO process can save a company significant time, effort and expense. The following are some issues companies should consider addressing prior to formally starting the process:

Business Plan

A business plan that includes a detailed description of the company's business, future strategy, financial results and a financial forecast should be prepared by management well in advance of the public offering process. While the business plan will not be made public, it will be a useful tool for potential underwriters to evaluate the potential for an offering and can ultimately be used to prepare for marketing efforts in connection with the IPO and portions of the company's prospectus.

Reorganization of the Business

Preparing a business for an IPO raises many questions:

- What is the appropriate form of entity? Often the preferred form is a corporation, but other forms (such as a trust or limited partnership) may be more suitable, depending on the nature of the issuer and the economics of investments in the issuer's industry. Decisions about the form of entity are informed through discussions with the issuer's underwriters and legal advisors.
- Which entity should "go public"? Often businesses have multiple entities within their "corporate families." The decision about which entity offers its securities to the public will depend on a variety of factors, including whether the public vehicle should be the operating company or a holding company. Questions regarding the optimal structure of the IPO vehicle and its affiliates (including the jurisdiction of the IPO issuer) raise questions relating to financial reporting, tax, financing (specifically the requirements and preferences of the issuer's lenders), commercial considerations (such as liability) and marketing, and should be considered with input from the issuers' underwriters and its accounting, tax and legal advisors.
- What assets are to be within the IPO issuer? Pre-IPO, an issuer may engage in a variety of businesses, and may own assets and entities that are not suitable for the IPO vehicle (perhaps because they will not be fully valued within the issuer under the IPO process or will expose or be perceived to expose the post-IPO issuer to unacceptable risk). Conversely, the IPO may be conducted in conjunction with, and in fact the proceeds of the IPO may be used to fund (in whole or in part), the acquisition of one or more businesses or assets complementary to the issuer's activities and interests.
- What (if any) changes need to be made to the business of the issuer? Private companies often rely on informal agreements, both with key employees and third-party suppliers and customers. Many private companies also have ongoing business relationships with "related" parties, such as shareholders or members of management. To create certainty and minimize future risks, public companies should strive to formalize such relationships wherever possible. Management should review the company's current business relationships to identify which existing agreements need to be revisited and which informal business relationships, especially those involving related parties, need to be memorialized in writing. Companies contemplating going public should also consider entering into formal

employment agreements with key employees, if not already in place, before the process starts.

- What is a suitable capital structure for the issuer? Companies often reorganize their pre-IPO share capital in connection with an IPO to simplify their capital structure (for example, to consolidate the share capital to a single class of common shares to reduce complexity). The reorganization may also address the number of shares outstanding so that the public offering price is within a range deemed advisable by the underwriters. If a compelling tax or business reason exists for a more complex structure and that reason can be clearly explained, a more sophisticated structure may be appropriate.
- Is a “dual class capital” structure appropriate? In “dual class” structures, the issuer has two classes of equity, with one class having superior voting rights. Structures of this nature, in which the limited or non-voting shares are offered to the public (which may be less appealing to potential investors) may be suitable for regulatory reasons (such as a regulatory requirement to maintain Canadian ownership), tax reasons or because investors are comfortable with the founders maintaining control disproportionate to their economic ownership interest. Stock exchanges require dual class capital issuers to adopt protections commonly referred to as “coattail” provisions to ensure that holders of the limited or non-voting common equity are entitled to participate equally with holders of the superior voting shares in any take-over bid.
- Are any third-party consents required? In connection with an IPO, an issuer is often required to obtain third party consents for two purposes: (i) to get the permission of important commercial counterparties to disclose the existence and terms of their relationships with the issuer (for example, where there are confidentiality agreements that would otherwise prohibit such disclosure), and (ii) to obtain consents in connection with the public offering itself or any contemplated pre-IPO reorganization required under the terms of the third party contracts.

Management

A strong senior management team is critical to the success of an IPO. Prior to commencing a public offering process, the board must have in place a CEO and a CFO that are able to operate a public company and deal effectively with the investment community. Any additional personnel required to round out the management team, particularly in the finance area, should be identified and hired in advance of the IPO process.

Financial Statements

A prospectus is generally required to include audited financial statements for the three most recently completed financial years of the company (including any predecessor entity) that ended more than 90 days (120 days for venture issuers) before the date of the prospectus. Unaudited interim or “stub period” financial statements for the most recently completed interim period that ended more than 45 days (60 days for venture issuers) before the date of the prospectus are also required. The auditor’s report on the audited statements must be unqualified. Preparing financial statements that satisfy these requirements as early as possible allows the company to come to market as quickly as possible after the decision to do so has been made.

If the proceeds of an offering will be used in whole or material part to acquire a business, or

if a significant acquisition has been recently completed, certain audited historical financial information of the acquired business and pro forma financial information giving effect to the acquisition may also be required. A company should consult with its legal counsel and auditors well in advance to determine the financial disclosure needed in the context of a significant acquisition or when its financial statements are more complex. The company may wish to consider a confidential pre-filing with the company's principal regulator. See "[Confidential Pre-Filings](#)" and "[Business Acquisition Reports](#)".

Generally, the financial statements included in a Canadian prospectus must be prepared in accordance with International Financial Reporting Standards ("[IFRS](#)"). However, any company that has securities registered with the Securities and Exchange Commission (the "[SEC](#)") may prepare its financial statements in accordance with the United States' generally accepted accounting principles ("[U.S. GAAP](#)") instead of IFRS, without any need to provide a reconciliation to IFRS, and foreign companies are permitted to include financial statements under the generally accepted accounting principles of certain designated foreign jurisdictions, though they are required to include a reconciliation to IFRS.

Tax Planning

Prior to undertaking an IPO, a company and its shareholders may wish to consider restructuring alternatives to maximize tax efficiencies. Legal and financial tax advisors are typically retained to advise the company on achieving a tax efficient structure as well as structuring a tax efficient exit for current shareholders.

Internal Systems and Controls

As public companies must provide timely and reliable financial and other information to investors, they require more formal management reporting systems than are typically employed by private companies. In addition, securities laws require that the CEO and CFO provide quarterly and annual certificates in their personal capacities attesting to the company's financial statements and internal controls. Management should coordinate with its accountants to ensure that systems and procedures supporting the financial reporting requirements appropriate for a public company are put in place well in advance of the going-public process. See "[Continuous Disclosure and Reporting Obligations](#)".

The Role of Underwriters

The underwriters play a central role in the IPO process by being the company's primary link to capital markets and public investors. Underwriters are generally registered dealers that assist the company by finding investors for the company's securities and by providing advice on various aspects of the IPO, such as timing, drafting of the prospectus, marketing and deal terms. The underwriters also perform due diligence on the company in a "gatekeeper" role to satisfy themselves of the accuracy of the company's disclosures and to limit their exposure to potential liability. Underwriters are subject to registration requirements and other business conduct rules under applicable securities laws and self-regulatory organization by-laws.

In general, there are two types of relationships with the dealers involved in an IPO: a firm commitment underwriting and a best-efforts offering. Under a firm-commitment underwriting, the dealers are obligated (subject to certain conditions and termination rights) to buy all the offered securities at a fixed price. As described under "[The Prospectus Process](#)" below, the

underwriters make this commitment at the end of the marketing process for the offering.

Conversely, in a best-efforts underwriting, the involved dealers (often referred to as “agents” instead of underwriters) commit only to use their reasonable best efforts to sell the company’s securities on behalf of the company. At no time do the agents obligate themselves to purchase the securities, as they would in a firm-commitment underwriting. In a best-efforts deal, the securities are issued to the investors identified by the agents, without the agents taking ownership in the middle.

The lead underwriter(s) and the company will generally set out the terms of the proposed deal and the arrangements for the underwriters, in an engagement letter, which describes the terms of the offering and the terms of the underwriters’ engagement. Such terms are subsequently memorialized in more detail in an underwriting or agency agreement. See **“Underwriting or Agency Agreement”**.

The Role of Auditors and Comfort Letters

In the context of an IPO, the company’s auditors are responsible for the following key items:

- auditing and reviewing the company’s financial statements;
- reviewing certain financial disclosures contained in the prospectus;
- preparing comfort letters and consents relating to financial statements and financial disclosures contained in the prospectus;
- assisting management and the underwriters in the course of the financial due diligence investigation; and
- helping identify significant accounting issues that may impact the prospectus disclosure.

Auditors are required to deliver comfort letters throughout the IPO process, including:

- a comfort letter delivered in connection with the preliminary prospectus when the auditor’s report in the prospectus is unsigned (this letter describes why the report has not yet been signed and states that the auditor has no reason to believe that the financial statements do not present fairly, in all material respects, the financial position of the company as at the date of such statements);
- a “long-form” comfort letter delivered at the time of filing the final prospectus that provides assurance on figures in the prospectus that are derived from the financial statements (which have been identified or “circled-up” by the underwriters for purposes of the comfort letter); and
- a “bring-down” comfort letter delivered at closing confirming that the assurances provided in the long-form comfort letter remain true.

Board of Directors

Many private company boards of directors consist of a small number of individuals representing the significant shareholders and management. In contrast, a typical public company has a board of directors of five to 12 individuals with specialized expertise as well as an independent perspective. Shareholders should consider the composition of the board of directors early in the IPO process. Factors to consider in addressing the composition of the board include:

- **Experience, diversity and cohesion.** The board of directors as a group should have diverse and balanced backgrounds, including experience and expertise in the relevant industry, as well as in leadership, public company governance, management operations, accounting and financial matters, capital markets, and other relevant areas. Diversity and a mix of different personalities and backgrounds enrich board deliberations and facilitate an appropriate division of labour among board members. At the same time, board members must be able to work together, as a well-functioning board fosters a culture of trust among the directors and management. Board dynamics and collegiality are critical when considering board composition.
- **Securities regulatory requirements.** For example, issuers listed on senior exchanges must have audit committees comprised of at least three independent directors who are financially literate, subject to certain exemptions (issuers listed on venture exchanges (defined for this purpose to include issuers that do not have any securities listed on the TSX or Cboe) are exempt from these requirements).
- **Securities regulatory guidelines.** Public boards deviating (in terms of composition) from the best practices reflected in published securities regulatory policies must disclose the nature of and reasons for the deviation. For example, if the board of a public issuer does not have a majority of independent directors, it is required to disclose how the board facilitates its exercise of independent judgment in carrying out its responsibilities.
- **Public market considerations.** The composition of a public issuer's board may be important from a marketing perspective during and after the IPO. Public investors may pressure the issuer to include on its board directors who are independent and who have specific qualities or experience. Reference in this regard can be made to the guidelines published by some institutional investors and certain advisory firms (see below), which reflect institutional investor expectations concerning board composition.
- **Proxy advisory firm guidance.** Proxy advisory firms may recommend shareholders vote against a proposed director nominee if the appointment would conflict with the firm's guidance on one or more issues. For example, a firm may oppose the election of a director nominee where they are "overcommitted" or "over boarded" vis a vis their membership on other public company boards or the election of the chair of the nominating committee where the board's level of diversity does not meet the advisor's published diversity standards.

See also "[Continuous Disclosure and Reporting Obligations](#)" and "[Governance and Proxy Advisory Guidance](#)".

Detailed prospectus disclosure is required for all directors or proposed directors of the company. Arrangements should also be made to obtain directors' and officers' insurance and to develop appropriate director compensation arrangements.

Management Incentives

Before going public, companies should examine, and if appropriate, revise current management compensation structures. The presence of a liquid public market frequently offers additional alternatives for employee compensation. The company's incentive compensation structure should generally include performance-based components (in respect of both short and long-term incentives) as a means of incentivizing and ensuring stability of management and aligning the management team's interests with those of the public investors. In addition, where employees have previously been owners of the company and have been entitled to the profits from the business, alternative mechanisms for incentivizing management will need to be explored. Details of the compensation to be paid to executive officers of the company, as well as the terms of any employment agreements, are disclosed in the prospectus. If a company already has a stock option and/or other equity-based incentive plan in effect, these plans must be reviewed to ensure compliance with the requirements of the applicable stock exchange. If the company does not have such a plan in effect, it is advisable to implement one before the IPO, since doing so after the IPO would require shareholder approval.

Preparing for Due Diligence

As part of the IPO process, the underwriters and their counsel will conduct due diligence on the company. In addition, the board of directors and senior management should also conduct due diligence. The purposes of the due diligence investigations are to:

- identify issues concerning the company and its business and industry that must be reflected in the prospectus, and confirm that the prospectus contains full, true and plain disclosure of all material facts without omitting any information necessary to prevent misleading statements;
- collect information for the purpose of drafting the prospectus and learn more detailed information about the company to permit the underwriters to better assess the company's value and future prospects;
- comply with market expectations of the underwriters' "gatekeeping" role; and
- support the underwriters, directors and officers in establishing a defence to liability under securities laws if the prospectus contains a misrepresentation.

The due diligence process will generally be comprised of legal, financial and operational due diligence.

The assembly of documentation requested by the underwriters to satisfy their diligence can be time-consuming and should ideally commence well before the IPO process. Typically, counsel to the underwriters have principal carriage of the legal diligence.

See "[The Prospectus Process - Due Diligence](#)" for additional detail regarding the due diligence process.

Testing the Waters

Canadian securities laws generally prohibit issuers and underwriters from communicating with potential investors about an offering of securities before a preliminary prospectus is filed. However, there are exemptions to this prohibition, one of which permits the solicitation of expressions of interest from accredited investors prior to the public filing of a preliminary prospectus in the context of an anticipated IPO (referred to as “testing the waters”). This exemption is intended to help issuers determine interest in a potential IPO before it subjects itself to the risks and costs of publicly announcing an IPO.

Under the testing the waters regime, investment dealers are permitted to measure the appetite of “accredited investors” (being investors who meet the criteria to make private placement investments) for investment in an IPO, subject to certain conditions, which include the following:

- all information provided to investors must be approved in writing by the issuer, contain prescribed legends and be marked “confidential”;
- the issuer must allow for a 15-day cooling-off period between the date on which an investment dealer last solicited an expression of interest pursuant to the exemption and the filing of the preliminary prospectus for the IPO; and
- an investment dealer acting on behalf of an issuer must:
 - obtain written confirmation from each accredited investor it solicits that the investor will keep information about the proposed offering confidential and not use such information for any purpose other than assessing its interest in the investment, and
 - keep a written record of the accredited investors it solicits and copies of the written confirmations described above.

Issuers can also test the waters in the United States, though the procedures that must be followed differ from those in Canada. Issuers and underwriters conducting cross-border offerings must carefully structure their offerings to comply with the test the waters regimes in both the United States and Canada. See [“Cross-Border IPOs”](#).

Where to Go Public

There is no requirement for a company to go public in the jurisdiction in which it is headquartered or organized. Many companies go public in the country and on the stock exchange where they expect the best valuation, investor interest, analyst coverage and liquid trading. Ongoing obligations may also be a factor in deciding where to go public. Some of the unique benefits of a public offering in Canada include:

- The existence of a strong investment culture, with experienced and well-regarded investment professionals, active and well-established markets for trading, and a demonstrated appetite for investment opportunities including companies which operate non-Canadian businesses.
- The Canadian securities regulatory system generally reviews and processes IPOs more quickly than in other jurisdictions.
- Canada is generally viewed as having a proportionate governance regime that is sensitive to the costs facing smaller and midcap issuers. Many issuers have found on-going compliance to be generally less complex in Canada than in the United States.
- Canada has historically been a less litigious environment than the United States, reducing the risk of exposure to securities litigation.
- Canadian public companies are often able to access capital through “bought deal” follow-on offerings, where underwriters agree to purchase the entire follow-on offering, regardless of investor commitments. The bought deal process is an efficient method of raising post-IPO capital in Canada that allows a company to mitigate financing risks.

Another factor that will affect the choice of where to go public is the size of the market. While larger markets may provide more potential investors, a company may find it more difficult to undertake its offering in a larger market. This is because such markets generally expect larger offerings, making it difficult for smaller companies or offerings to garner investor and analyst attention. Companies that go public in Canada are often surprised by the level of analyst research coverage afforded to small and mid-cap issuers. Companies looking to access foreign markets are often able to do so by way of a private placement conducted concurrently with the IPO. See [“Concurrent Private Placements”](#).

Securities Regulation in Canada

Provincial/Territorial Regulation

In Canada, securities regulation is a provincial and territorial matter. Generally, the requirements of the various Canadian provincial and territorial securities laws are consistent and there are protocols for interjurisdictional coordination of prospectus filing and clearance. Under that system, a company need only deal with one regulator. Typically, that regulator (called the “principal regulator”) is the securities commission of the province or territory where the company’s head office is located.

Translation

Companies wishing to raise capital in Québec must file a prospectus in French only or in both English and French. The translation requirement can make filing in Québec more expensive than filing elsewhere in Canada and is an important consideration when preparing an IPO timeline (see [“Sample IPO Timeline”](#)). Nevertheless, the general view is that the additional cost associated with translation is outweighed by the benefits associated with access to prospective investors in Québec.

Cross-Border IPOs

There are several advantages to listing in both Canada and the United States, such as the ability for issuers to attract a broader investor base. Although the regulatory landscapes in the two jurisdictions differ in certain respects, there are similarities that allow cross-border IPOs to be accomplished fairly seamlessly.

The multijurisdictional disclosure system (“**MJDS**”) adopted by the Canadian and United States securities regulators enables eligible issuers to (i) register securities offerings in Canada or the United States using a prospectus prepared substantially in accordance with home country rules and (ii) comply with Canadian or United States reporting requirements based substantially on home country disclosure standards and rules. See [“Continuous Disclosure and Reporting Obligations in the United States”](#).

Outside of the IPO process, the MJDS also generally permits review of the company’s disclosure materials solely by home country securities regulatory authorities.

Disclosure Documents and Distribution

In connection with a cross-border IPO, securities sold in the United States are registered with the SEC via a registration statement (the form of which depends on the nature of the issuer) and securities are qualified for distribution in Canada by way of a prospectus. Under the MJDS, certain jurisdiction-specific disclosure is “wrapped” around the prospectus or registration statement, as applicable (typically referred to as a United States or Canadian “wrap” or “wrapper”).

Typically, the syndicate members are registered in both Canada and the United States and are therefore permitted to sell into either jurisdiction.

Both the Canadian securities commissions and the SEC provide comments and once all comments are addressed, the registration statement is declared effective, and the final prospectus is filed with the Canadian securities regulators. The SEC’s review process is generally longer and more extensive than that undertaken by Canadian securities regulators (e.g., issuers should expect to receive initial SEC comments within 30 days, as opposed to the Ontario Securities Commission’s (the “**OSC**”) 10 business day standard).

SEC Non-Public Review

Similar to the confidential pre-filing procedure in Canada (see “**Confidential Pre-Filings**”), a company conducting an IPO in the United States can file its registration statement with the SEC for “non-public review”. Canadian issuers filing under the MJDS are permitted to take advantage of this non-public review procedure. Companies using the non-public review mechanism must publicly file their registration statement and all prior confidential filings at least 15 days before the commencement of a road show (or in the absence of a road show, the requested effective date of the registration statement). Similar to the expectations of the OSC with respect to confidential pre-filings in Canada, the SEC expects issuers to take all steps to ensure that a draft registration statement is substantially complete when submitted.

Exchange Listing

Canadian issuers using MJDS to register an offering of securities in the United States are also required to have the securities approved for listing on their desired exchange (typically the New York Stock Exchange (“**NYSE**”) or the Nasdaq Global Select Market (“**Nasdaq**”). Similar to the TSX and TSX-V, companies seeking to list on the NYSE and Nasdaq must meet the applicable exchange’s listing criteria and adhere to continued listing standards for that exchange.

Issuers in Canada and the United States typically issue uncertificated shares through a “direct registration system” operated by a clearing agency, such as the Canadian Depository for Securities in Canada and The Depository Trust Corporation in the United States. Issuers should carefully select a transfer agent with seamless cross-border capabilities to manage direct registered securities to avoid undue administrative burden.

Negative Assurance Letter

Rule 10b-5 letters or “negative assurance letters” are delivered to U.S. underwriters by company and underwriter counsel as a condition to closing. Similar to the purpose behind a legal opinion delivered in connection with a Canadian IPO, negative assurance letters form an important component of the due diligence record. A negative assurance letter is not technically a legal opinion but rather a statement regarding the registration statement, asserting that counsel is not aware of any untrue statements of material fact or omissions to state a material fact necessary to ensure that any statement, in light of the circumstances under which it was made, is not misleading.

Communications with Potential Investors

Similar to Canadian securities laws, the U.S. “gun-jumping rules” generally prohibit communication with potential investors prior to filing a registration statement. Companies in the U.S., however, are permitted to engage in “testing the waters” procedures similar to those allowed in Canada (see “**Testing the Waters**”) to gauge market interest in the securities proposed to be offered.

The Canadian and U.S. rules pertaining to the waiting period and road shows are similar. One notable difference between the marketing rules in the two jurisdictions is that materials merely shown to investors during road shows must be filed with Canadian securities regulators and are subject to prospectus-level liability. Conversely, materials shown to investors are not required to be filed with the SEC and therefore not subject to prospectus-level liability.

Exemptions to the procedural and filing rules applicable to road shows are available for cross-border offerings, subject to certain conditions. Marketing materials are not required to be filed or incorporated by reference into the prospectus where the underwriter reasonably expects the securities will be sold primarily in the United States. The template version of such materials, however, must be delivered to the applicable Canadian securities regulator or regulators on a confidential basis. In addition, the issuer and the underwriters that sign the Canadian prospectus must assume liability for any misrepresentation in those materials through a contractual right of action provided to each Canadian investor to whom such road show materials are given.

The Prospectus Process

There are several ways of “going public” in Canada, the most common of which is by filing a prospectus with the securities commissions of one or more of the provinces and territories of Canada. Once the preliminary groundwork is completed and underwriters and legal counsel are selected, the prospectus drafting process may begin. Drafting of the preliminary prospectus should begin as early in the process as is reasonably possible and can be advanced concurrently with the other work streams (such as due diligence and review of the financials). The amount of time required from the initial organizational or “kick-off” meeting to completion of the offering will vary but is likely to take approximately four months. See “[Sample IPO Timeline](#)”.

The Organizational or “Kick-Off” Meeting

The formal prospectus process typically begins with an organizational or “kick-off” meeting of management, the underwriters and their respective professional advisors. At this meeting, a timetable is generally presented by the underwriters and the various members of the working group are assigned tasks. Management will also typically provide a presentation on the business of the company.

Due Diligence

The due diligence process usually begins with legal counsel to the underwriters preparing a detailed checklist requesting that all documentation be provided for review. The company then assembles this material and makes it available for review in a virtual data room.

The legal due diligence for a public offering involves a review of all corporate records and agreements to identify, among other things, disclosure issues, required consents and gaps that should be filled before the company becomes public. Operational and financial due diligence typically involves site visits, discussions with senior management and at a later stage in certain cases, discussions with significant counterparties such as customers, suppliers and commercial partners. Financial due diligence involves formal review of the company’s financial statements, working capital requirements, business plans and financial forecasts, internal controls and financial reporting procedures.

In addition to the review of documentation, management, the company’s auditors and legal counsel are expected to participate in oral due diligence sessions with the underwriters (prior to filing of the preliminary prospectus and final prospectus). The initial oral due diligence session is the first formal opportunity for the broader underwriting syndicate to ask questions of management about the company’s business, opportunities and risks. As discussed under “[The Role of Auditors and Comfort Letters](#)”, the company’s auditors will also be asked to provide “comfort letters” confirming certain financial information contained in the prospectus.

Preparing the Prospectus

The company’s legal counsel will typically be responsible for drafting the company’s preliminary prospectus, although an initial draft of certain sections is frequently prepared by the company (e.g., the business and industry descriptions) or underwriters (e.g., investment highlights and growth strategies). The preliminary prospectus must contain full, true and plain disclosure of all material facts relating to the securities being offered (though the preliminary prospectus generally does not include pricing information, which is inserted into the final prospectus). Where a material fact has been omitted from, or is misstated in, the preliminary prospectus, a prospectus amendment may be required. In addition, where a material adverse change occurs

following the issuance of the receipt for the preliminary prospectus, an amendment is required. Not only would the requirement to prepare a prospectus amendment extend the time required to complete the offering and disrupt the momentum created by the underwriting syndicate, but it may also cause sufficient concern in the market to jeopardize the success of the offering itself. Accordingly, the preliminary prospectus is not generally filed until all involved are confident that no amendments will be required.

Drafting a prospectus is a balancing act between trying to “sell” the company to prospective investors, while at the same time providing a complete picture of its business and the risks it faces. Due to the length of the required disclosure, a summary section is included in the front of the document. The contents of the preliminary prospectus are prescribed by applicable securities laws and generally require the following disclosure:

Description of the Company and Business

The prospectus will include a detailed description of the business currently and intended to be carried on by the company, the general development of the business over the preceding three fiscal years and any subsequent period, business objectives, milestones, operations, competitive conditions and the principal products or services of the company. This section is generally the major focus of drafting sessions with the working group.

Financial Statements and Management’s Discussion and Analysis

A prospectus generally is required to include the financial statements described above under “**Preparing to Go Public – Financial Statements**”. As noted above, historical financial disclosure for significant acquisitions may also be required.

The prospectus will also require management’s discussion of the financial condition and results of operations presented in the financial statements, including a discussion of any substantial variations, favourable and adverse, in operating results over the relevant periods.

Pro Forma and Future-Oriented Financial Information

Pro forma financial information (historical financial information adjusted “as if” a given transaction had occurred at an earlier time) may also be required in the prospectus, particularly if the company has completed or expects to complete a significant acquisition or is changing its form (e.g., becoming a real estate investment trust). Though not required, the company may also desire to include future-oriented financial information (“**FOFI**”), such as forecasts, projections or growth targets. This type of information is subject to special requirements; specifically, a company must have a reasonable basis for any forward-looking information that it discloses, and any material forward looking information must:

- be identified as such;
- be accompanied by a proximate caution stating that actual results may differ from the forward-looking information and identifying the material risk factors that could cause such differences;
- be accompanied by a proximate statement of the material factors or assumptions used to develop the forward-looking information; and
- include a description of the company’s policy for providing updates of the forward-looking information beyond the minimum legal updating requirements.

In addition to the foregoing requirements, FOFI must be accompanied by disclosures stating when the information was approved by management and explaining the purpose of its inclusion with a caution that the information may not be appropriate for other purposes. FOFI must also be limited to periods for which the information can be reasonably estimated and use the accounting policies that the company expects to use to prepare historical financial statements for the period covered by the FOFI.

Risk Factors

The prospectus must contain a discussion of the risk factors relating to the business and the securities being offered to give investors a clear understanding of the risks of their proposed investment. The risk factors are typically divided into groups (ordered by relevancy), and should include comprehensive disclosure on risks associated with, among other things, the industry in which the company operates, the company and its business, structure and tax-related matters, key relationships (including those with retained interest holders, customers and suppliers), and the proposed offering.

Details of the Offering

The prospectus must include a description of the material attributes of the securities being offered. This will generally include a discussion of the material income tax implications of an investment in the securities. Information such as the aggregate number and value of the securities to be distributed is inserted into the final prospectus after the offering price is determined.

Plan of Distribution

The prospectus must disclose the means by which the securities will be sold to the public, including the names of the underwriters and the nature of their obligation to purchase the securities. Certain relationships between the company and any of the underwriters must also be disclosed, such as lending relationships with affiliates of the underwriters.

Use of Proceeds

The prospectus must disclose the estimated net proceeds of the offering to the company and a detailed description of the principal purposes for which they will be used.

Capitalization of the Company

A description of any material change in, and the effect of the material change on, the share and loan capital of the issuer since the date of the most recently completed financial period must be provided. This includes any material change resulting from the issuance of the securities being distributed under the prospectus.

Options to Purchase Securities

Any options to purchase securities of the company or any of its subsidiaries must be described, including the number and type of securities, the exercise price and, where ascertainable, the market value of the shares under option on the date of grant.

Prior Sales

The price at which the issuer has distributed securities of the same class as those offered under the prospectus within the 12 months prior to the date of the prospectus must be stated.

Directors, Officers and Principal Shareholders

Details as to the identity of the directors and executive officers of the company must be disclosed in the prospectus, including their names, municipalities of residence, positions with the company and principal occupations during the preceding five years.

The prospectus must also disclose the identity of shareholders who own more than 10% of each class of voting securities of the company, as well as a description of any material interests of such shareholders, and of the directors or officers, in any material transaction with the company within the preceding three years. The prospectus must also disclose whether any director, officer or 10% shareholder has been subject to a cease trade order or a bankruptcy in the past 10 years while acting in the capacity of a director or officer of any other company or in a personal capacity and whether any existing or potential conflicts of interest exist between the company and one of its directors or senior officers. Much of the foregoing information is obtained by the company and its counsel through the collection of personal information forms. See "[Canadian Stock Exchanges](#)" and "[Filing the Preliminary Prospectus](#)".

Executive Compensation

The prospectus must disclose the compensation of the CEO, CFO and three other most highly compensated executive officers. In addition, a description of the employment agreements with these individuals must be provided. The indebtedness of any of the directors or officers to the company must also be disclosed, including details as to the nature and interest rate of such indebtedness and the amount currently outstanding.

Material Contracts

Material contracts of the company must be described in the prospectus as well as made available for public inspection, subject to certain limited exceptions. These contracts must be filed with the securities regulators and made publicly available on SEDAR+. It may be possible to redact portions of the agreements that are sensitive before they are publicly filed, though the ability to redact is limited. It is critical to assess at an early stage whether any public disclosure of any material contracts would be competitively disadvantageous or otherwise detrimental to the company so that an application can be made to the regulators seeking a confidential filing.

Legal Proceedings

The prospectus must describe any material legal proceedings, whether pending or contemplated.

Escrowed Securities and Securities Subject to Contractual Restriction on Transfer

Securities legislation and the rules of certain stock exchanges may require certain shareholders to place all or a portion of their securities in escrow in connection with a company's IPO. Additionally, underwriters typically require that certain securities be locked up for a period following closing of the IPO. See "[Lock-Up Requirements and Escrow / Resale Restrictions](#)". Details as to the type and number of each class of voting securities of the company held in escrow or subject to lock-up must be disclosed in the prospectus.

Promoters

Any person who, acting alone or in conjunction with one or more other persons, companies, or a combination thereof, directly or indirectly, took the initiative in founding, organizing or substantially reorganizing the business of the company, may be considered a “promoter” of the company for purposes of applicable securities laws. Promoters must sign the certificate page of the prospectus and consequently assume statutory liability for any misrepresentations it may contain. See “[Civil Liability and Investor Remedies](#)”.

Purchasers’ Statutory Rights

The prospectus must contain a statement as to the statutory right of purchasers to withdraw from their agreement to purchase the securities offered within two business days after receipt of the prospectus and to remedies for rescission or, in some jurisdictions, damages where the prospectus contains a misrepresentation or is not delivered to the purchaser.

Translation

As noted earlier, if the preliminary prospectus is to be filed in the Province of Québec, it must be translated into the French language. Translation can be a time-consuming process, particularly where there are a significant number of financial statements to be included and it is advisable to begin coordinating with translators at an early stage. See “[Sample IPO Timeline](#)”.

Additional Disclosure Requirements

In addition to the foregoing general disclosure requirements, issuers in certain industries may have additional disclosure requirements in a prospectus. Conversely, certain issuers may be exempted from disclosure requirements where there is alternative compliance that substantively addresses the general requirement.

Additional Requirements for Mining Companies

Mining companies are required to comply with additional prospectus disclosure rules which require inclusion in offering documents of scientific and technical information related to mineral projects. Mining companies are required to file a report in respect of material mineral projects to support disclosure about reserves, resources, and other technical information included in a prospectus. Any disclosure in the prospectus of scientific or technical information must be based on a technical report, which must be prepared under the supervision of a “qualified person” (such as an engineer or a geoscientist).

Additional Requirements for Oil and Gas Companies

Companies that are directly or indirectly engaged in oil and gas activities are also subject to additional disclosure requirements. In particular, those companies must include in any prospectus a statement with respect to oil and gas reserves, accompanied by a report from an independent qualified reserves evaluator or auditor. The statement of reserves data must also be accompanied by a report from management and the directors detailing their roles and responsibilities associated with the reserves statement. Further, a professional valuator must be engaged to report on anticipated results if those results are based on sources that are not currently classified as resources.

Reduced Requirements for Foreign Companies

Foreign issuers (issuers, other than investment funds, that are incorporated outside Canada, other than any issuer in respect of which (i) 50% of its voting shares are owned by Canadian residents, and (ii) any of the following is true: (a) the majority of its directors and executives are Canadian residents; (b) more than 50% of the company's assets are located in Canada; or (c) its business is primarily administered in Canada), are exempt from certain disclosure requirements. For example, a SEC issuer can prepare its financial statements in accordance with U.S. GAAP without any reconciliation to IFRS. Further, under MJDS, qualifying issuers can satisfy Canadian reporting requirements on the basis of documents that were prepared to comply with the corresponding SEC disclosure requirements, provided they are of a certain size and have a reporting history. MJDS also allows eligible Canadian reporting issuers to offer securities in the United States on the basis of documents prepared in accordance with Canadian requirements and reviewed by Canadian securities commissions. See "[Cross-Border IPOs](#)".

Filing the Preliminary Prospectus

Once prepared, the preliminary prospectus is filed with and reviewed by the securities commission of each province and territory in which the company and the underwriters plan to sell the offered securities. The company is also required to file certain supporting documentation with its preliminary prospectus, including personal information forms. The securities regulatory personal information form requirement may generally be satisfied by submitting the form required to be filed under the TSX or TSX-V rules, together with a certificate and consent in prescribed form and dated within 30 days of filing the preliminary prospectus. Persons who submit a personal information form will each be subject to a "security check" to ensure there are not reasonable grounds to believe the business of the company will not be conducted with integrity and in the best interests of its securityholders.

If a company files its preliminary prospectus with the securities commission of more than one jurisdiction, a mechanism exists to co-ordinate the comments of the various securities regulators. The responsibility for preparing the initial comment letter lies with the administrators in the principal jurisdiction. These comments will usually be given within 10 business days of filing the preliminary prospectus.

Confidential Pre-Filings

Companies in Canada are permitted to make confidential pre-filings with their principal securities regulator with respect to a preliminary prospectus and/or specific prospectus disclosure issues. Historically, it was common for issuers to seek confidential guidance on sufficiency of financial statement disclosure for certain significant acquisitions or a primary business in an IPO, especially when the three-year financial history required for filing the prospectus spans different legal entities. More recently, issuers have been taking advantage of a comprehensive confidential filing process under which the regulators will review the entire prospectus.

The confidential pre-filing option enables companies to confidentially address regulatory issues raised by regulators before publicly launching an IPO. Ideally, the company can then proceed quickly to the public filing stage once presented with favourable market conditions and complete the offering process without the timing and market risks associated with an extended regulatory review. If, after filing a confidential prospectus, the company decides not to proceed with the IPO, it will not have disclosed sensitive information regarding its business or that it was considering an IPO.

Canadian securities regulators expect that if an issuer chooses to use the confidential pre-file process, the terms and conditions of the offering, and any related transactions, are clearly determined, and the prospectus is otherwise in the same form and quality as it would be if publicly filed, at the time of pre-filing. Further, the underwriters should have substantially completed their review of the pre-filed prospectus and related diligence. Generally, a pre-filing should include all documents required to be filed with the publicly filed preliminary prospectus, and identify when the issuer expects to file the public prospectus. The standard of review (i.e., timeline to provide comments) published by the OSC is 10 working days. While prospectuses filed on a confidential pre-file basis are reviewed by the regulators with the same level of detail as a publicly filed preliminary prospectus, additional comments may be raised at the time of the public filing to address new issues or changes in the prospectus disclosure.

The Waiting Period

The issuance of a receipt by the applicable securities commissions for a publicly filed preliminary prospectus commences what is known as the “waiting period”.

Clearing Securities Commission Comments

During the waiting period, counsel for the company will liaise with staff of the principal regulator to address the comments received. Many of the comments can often be addressed by adding additional disclosure to the prospectus, but occasionally the comments raised by the securities regulators identify more fundamental issues which must be addressed by the entire working group. As a result, many underwriters choose to commence the active marketing of the offering only after the initial comments of the securities regulators have been received (and if meaningful, until they have been addressed). A key benefit of the confidential filing process is that all substantive issues can be addressed before the issuer has publicly announced an intention to complete an IPO. This provides the issuer and the underwriters with more certainty on the IPO timeline.

Amending the Preliminary Prospectus

Where a material adverse change occurs after a receipt is obtained for the preliminary prospectus and prior to the filing of a final prospectus, a company is required to file an amendment to its preliminary prospectus. In some cases, an issuer may elect to file an amendment to a preliminary prospectus to update information provided in the preliminary prospectus (or to address regulators’ comments) in the absence of a material adverse change, such as additional underwriters being added to the syndicate. Whether the time periods for review are restarted is in the discretion of the securities commissions and will generally depend on the nature of the amendment.

Marketing and Road Shows

During the waiting period, the company and the underwriters are permitted to market the offering. The goal of these marketing efforts is to create sufficient interest in the company and demand for the securities to permit both a successful offering and a strong aftermarket, and to affect the optimal distribution of the securities both geographically and in terms of retail and institutional investors.

Investment dealers are permitted to deliver to prospective investors “standard term sheets” and “marketing materials” to assist in the marketing of securities offerings.

The content of “standard term sheets”, other than prescribed cautionary language and contact information for the underwriters, is limited to certain basic information about the issuer and the offering, such as brief descriptions (limited to three lines) of the business and the securities, and information concerning the terms of the proposed offering and the use of proceeds, all of which must be based on or derived from disclosure included or incorporated by reference in the preliminary prospectus. Unlike “marketing materials” (described below), standard term sheets are not required to be incorporated by reference into the prospectus or publicly filed.

The type of information that is permitted to be included in “marketing materials” is more extensive than what can be included in standard term sheets. Generally, marketing materials must be publicly filed. Marketing material disclosures must also be included, or incorporated by reference into, the issuer’s prospectus, and accordingly, statutory civil liability applies to misrepresentations in marketing materials. Marketing material disclosure regarding “comparables” (which compares the issuer to other issuers), however, may be excluded from the issuer’s publicly filed marketing materials, and need not be included in the prospectus, provided that certain cautionary disclosure regarding comparables is provided in the marketing materials and the issuer files a copy of the full marketing materials (including the comparables information) with the regulators on a confidential basis. Other than the comparables (and underwriter contact information), all disclosure in the marketing materials must be based on, or derived from, disclosure included or incorporated by reference in the prospectus.

Road shows are commonly conducted as part of the IPO process. A “road show” is “a presentation to potential investors, regarding a distribution of securities under a prospectus conducted by one or more investment dealers on behalf of an issuer in which one or more executive officers, or other representatives, of the issuer participates.” Road shows may be in person, by telephone, over the internet or by other electronic means.

The rules applicable to road shows treat written material provided at a road show as “marketing material” subject to the rules described above and require that an investment dealer inquire about the identity of each attending potential investor, keep a written record of all attendees, and provide each attendee with a copy of the preliminary or final prospectus. If an investment dealer permits a non-accredited investor to attend a road show, the investment dealer must commence the road show by reading a prescribed cautionary statement that the road show will not contain full disclosure of all material facts and encouraging the investors to consult the prospectus.

Exemptions to the procedural and filing rules applicable to road shows are available for cross-border offerings, subject to certain conditions. See “[Cross-Border IPOs](#)”.

There are restrictions on marketing during the waiting period – see “[Communications During the Offering Process](#)”.

Listing

Filing a prospectus to go public does not automatically mean that a company’s securities will be listed on a stock exchange. The underwriters will assist the company in determining an appropriate exchange for a listing, if any. Counsel to the company will determine if the appropriate listing criteria are met and prepare a listing application, which in large measure consists of providing the information in the preliminary prospectus. See “[Canadian Stock Exchanges](#)”.

Pricing the Offering

Upon completion of marketing and once the company is able to file a final prospectus, the company and the underwriters will negotiate and agree on the terms of the offering, specifically the number of securities to be offered and the offering price. The value of a company's securities is influenced by four principal factors: (i) prevailing market conditions, (ii) the company's historical, current and estimated future financial performance, (iii) the market's valuation of comparable public companies and (iv) the underwriters' assessment of the demand for the company's securities. This last factor will generally be measured by the underwriters based on the "expressions of interest" received while conducting the permitted marketing activities during the road show. While the company and the underwriters may want to set the highest price possible for the company's shares, an offering price that does not accurately approximate the market's assessment of these factors may result in the price of the shares falling in the aftermarket. Such a result will not leave a favourable impression with investors and could prejudice the company in connection with future offerings. Canadian securities laws also provide for an alternative form of pricing. See "[PREP Procedure](#)".

Underwriting or Agency Agreement

The underwriting agreement sets forth the respective legal obligations of the company, any promoter or selling shareholder and the underwriters in connection with an offering. In a firm commitment, the underwriting agreement (under which the underwriters agree to purchase the shares being offered at a price to be specified in the final prospectus) is signed and filed along with the final prospectus. A best-efforts underwriting agreement is often referred to as an agency agreement.

Key terms in a typical underwriting agreement include the following:

- commissions payable to the underwriters;
- over-allotment option or "green shoe", which is an option for the underwriters to acquire a small percentage of additional securities at the offering price;
- expense allocation;
- indemnity provisions in favour of the underwriters (e.g., in respect of a misrepresentation in the prospectus);
- representations, warranties and covenants made by the company and any promoter or selling shareholders, including those relating to the company's business and operations and the offering;
- conditions in favour of the underwriters, such as delivery of auditor comfort letters and legal opinions;
- termination rights in favour of the underwriters, specifying the conditions under which they will not be obligated to proceed with the IPO, such as a material change in market conditions; and
- lockup restrictions that are required of the company, management, and key shareholders.

Over-Allotment Option

The over-allotment option, or green shoe, is standard in firm-commitment underwriting agreements. An over-allotment option is an option granted by the company to the underwriters to purchase up to a certain number of additional securities (up to an aggregate maximum of 15% of the number of securities originally offered) on the same terms and conditions as the original offering to satisfy over-allotments made in connection with the offering. Generally, the option may be exercised by the underwriters at any time up to and including the date that is 30 days following closing of the IPO.

Filing the Final Prospectus

Once satisfied with the disclosure contained in the preliminary prospectus, the securities commissions will “clear” the company to file its final prospectus. A brief oral due diligence session is held with management, the company’s auditors, the company’s legal counsel, the underwriters and counsel to the underwriters shortly before filing the final prospectus.

The final prospectus will then be filed, reflecting any changes to the preliminary prospectus that are required as a result of the securities commissions’ comments, updated information (if any) given the passage of time, and the pricing information negotiated with the underwriters.

After the final prospectus is filed, the principal regulator will issue a receipt on behalf of itself and the other provincial securities commissions. Once the receipt is issued, the underwriters can confirm sales to the potential investors they identified during the waiting period, as well as to others. The final prospectus will then be distributed to investors.

PREP Procedure

Canadian securities laws provide for an alternative form of pricing – a “post-receipt pricing procedure” (the “**PREP Procedure**”). Under the PREP Procedure, the company files its first prospectus (referred to as a “**Base PREP Prospectus**”) after the regulatory review is completed, but before pricing and with bullets in place of the pricing and pricing-related information. Certain disclosure requirements applicable to prospectuses under the traditional pricing procedures are modified for Base PREP Prospectuses (e.g., the addition of language identifying the prospectus as a PREP prospectus and omission of certain information, such as the public offering price of the securities to be distributed, identity of the underwriting syndicate members other than the lead underwriters, and disclosure required regarding the relationship between the issuer and underwriters).

Once a receipt for the Base PREP Prospectus is obtained, pricing occurs and the underwriting agreement is entered into. The company then files a supplemented PREP prospectus (a “**Supplemented PREP Prospectus**”) that completes all the bulleted information. Disclosure omitted from a Base PREP Prospectus must be included in the Supplemented PREP Prospectus. The Supplemented PREP Prospectus may increase or decrease the distribution size disclosed in the Base PREP Prospectus by up to 20%. The Supplemented PREP Prospectus must be filed within 20 days of the filing of a Base PREP Prospectus.

The PREP Procedure supports “when issued” trading and permits companies completing cross-border IPOs to synchronize the regulatory timing and pricing practices of the Canadian offering with that of the United States offering.

Withdrawal Rights

Securities legislation in certain Canadian jurisdictions gives investors the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days (the “cooling-off period”) of receiving a prospectus and any prospectus amendment. After this right of withdrawal expires, the investor is legally bound to complete its purchase, conditional on the closing of the IPO. As the “cooling-off period” begins when the investor receives the final prospectus (or an amendment thereto), the underwriters will work to deliver the final prospectus to investors as soon as possible after obtaining the prospectus receipt. The scheduling of closing of the offering will generally take into account the time required to print (though the new “access equals delivery” model may reduce or eliminate this requirement – see **“Filing Fees, Printing Costs and Other Expenses”**) and deliver the final prospectuses and for the “cooling-off period” to expire.

Concurrent Private Placements

IPOs may be completed with a concurrent offering on a private placement basis to accredited investors in Canada and/or qualified institutional buyers or institutional accredited investors in the United States. The securities are offered in Canada by way of a subscription agreement and in the United States by way of a U.S. wrapper (similar in mechanism to the wrap used for cross-border IPOs). See **“Cross-Border IPOs”**.

Issuances of the issuer’s securities in connection with the private placement are generally subject to resale restrictions under Canadian and United States securities laws that prevent the securities from being freely tradeable and include restrictive legends.

Communications During the Offering Process

Public disclosure from the time that a company commences the IPO process to the time it files its preliminary prospectus (commonly referred to as the “quiet period”) and during the period between filing the preliminary and final prospectus (the “waiting period”) is generally subject to a number of restrictions that a company must be aware of to ensure it complies with Canadian securities laws.

Generally, public statements during the quiet period should be purely factual and not attempt to stimulate investment interest. While the company may release factual information about its business operations in the ordinary course and consistent with prior practice, such as issuing routine press releases or responding to unsolicited press inquiries regarding factual business matters about its business, there should be no public discussion regarding the offering until the preliminary prospectus is filed, other than in accordance with the “testing the waters” rules. See **“Testing the Waters”**.

The OSC has published the following guidance with respect to disclosure obligations of directors and senior officers, although they should also be seen to apply to the company in general:

- No interview should be given to the financial media by directors or senior officers immediately prior to the filing of the preliminary prospectus or prior to or during the period between the filing of the preliminary prospectus and the final prospectus.
- No director or senior officer should make any statement which constitutes a forecast, projection or prediction with respect to future financial performance, unless that statement relates to and is consistent with a forecast contained in the prospectus.

During the waiting period, the prospectus, together with the permitted marketing materials that are incorporated by reference therein, should be the primary disclosure vehicle on the business and financial information of the company. No information, whether contained in a media report, advertisement, press release, speech or other public source of information should be disseminated into the public sphere outside of the prospectus and permitted marketing materials during the waiting period. Following the issuance of a receipt for the preliminary prospectus, a press release is typically issued that is limited to a factual description of the filing. Many companies limit the number of persons authorized to speak about the offering on behalf of the company or refer inquiries to the underwriters to ensure they comply with these restrictions.

Closing

Closing of the offering generally occurs seven to 14 days after the filing of the final prospectus. Typically, another short oral due diligence session is held with management, the company's auditors, the company's legal counsel, the underwriters and counsel to the underwriters shortly before closing. Immediately prior to closing, executed versions of all documentation required to effect the offering and any concurrent transactions (such as a corporate reorganization) are delivered in escrow to the appropriate parties. Upon closing, all such materials are released from escrow, the proceeds of the offering paid by the underwriters to the company, and the securities posted for trading.

Civil Liability and Investor Remedies

A prospectus must contain "full, true and plain" disclosure of all material facts relating to the securities offered. Where a prospectus contains a "misrepresentation", any purchaser who acquired a security offered during the period of distribution is deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase, and has a statutory right of action for damages against the company (or any selling securityholder on whose behalf the distribution was made), every person who was a director of the company at the date the prospectus was filed, each underwriter of the offered securities, every person or company whose consent was required to be filed with the prospectus, such as lawyers and accountants (but only with respect to reports, opinions or statements that were made by them), and every other person who signed the prospectus, such as promoters. Alternatively, the purchaser may elect to exercise a statutory right of rescission against the company, any selling securityholder or underwriter from whom that purchaser acquired its securities.

A "misrepresentation" includes any untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make the statement not misleading, in light of the circumstances in which it was made. A "material fact" is a fact that significantly affects or would reasonably be expected to have a significant effect on, the market price or value of the securities issued or proposed to be issued.

If a prospectus contains a misrepresentation, there are no statutory defences to the company or the selling securityholders, except if the purchaser purchased the securities with knowledge of the misrepresentation. A director or officer who signed the prospectus, and who believed the prospectus did not contain a misrepresentation, has certain additional defences in an action by a purchaser, including withdrawing his or her consent to the filing of the prospectus prior to the purchase of securities by the purchaser, and the "due diligence" defence. The essence of this defence is that the defendant must have had an actual belief that there had been no misrepresentation, had reasonable grounds for such belief, and had conducted reasonable investigations to support such belief.

Sample IPO Timeline

This timeline is indicative only. The timeline for an initial public offering may vary and is influenced by several factors, including the company's preparedness for the IPO process, the nature and extent of the due diligence review to be completed, the company's financial performance and state of the company's financial statements, prevailing market conditions, and the time required to address comments from regulatory authorities.

Generally, significant lead time is required to ensure the working group is prepared to file the preliminary prospectus. This timeline reflects 12 weeks of preparatory work, including preparation of the preliminary prospectus prior to confidential pre-filing, but more or less time may be required depending on the circumstances (including the factors listed above). Note also, this timeline assumes that post-receipt pricing (PREP) is not being used, that there is no concurrent private placement or "cornerstone" financing and that no prospectus amendments are required.

Week	Task or Event
1-2	Company selects underwriters, legal counsel, auditors and other professional advisers.
3	Working group holds organizational or "kick-off" meeting.
3-4	Working group prepares IPO term sheet.
1-12	Company prepares preliminary prospectus and holds related working group meetings and drafting sessions.
1-12	Management and auditors prepare financial statements and MD&A.
1-12	Underwriters and advisors carry out due diligence review of the company.
6-10	Working group identifies, finalizes and briefs the board of directors and completes personal information form process.
6-12	French translation of preliminary prospectus if securities are being offered in Québec.
9-10	Working group finalizes the "testing the waters" materials.
9-10	Underwriters engage in "testing the waters" discussions, on behalf of the company, with accredited investors on a confidential basis to solicit expressions of interest.
11	Company's board of directors meets to approve the preliminary prospectus.

Week	Task or Event
11	Underwriting syndicate confirmed.
11	Due diligence session with management, underwriters and professional advisors prior to confidentially filing preliminary prospectus.
12	Company confidentially files preliminary prospectus with Canadian securities commissions.
12-14	Company and underwriters finalize marketing materials for road shows, including French translation of marketing materials if securities are being offered in Québec.
12-14	Company files listing application with, and obtains approval from, the applicable stock exchange.
12-18	Negotiation of underwriting agreement.
14	First comment letter is issued by principal regulator.
14-16	Working group settles securities commission comments.
16	Company publicly files preliminary prospectus and issues press release.
16	Commencement of marketing and road shows.
18	Pricing is confirmed and underwriting agreement finalized.
18	Company's board of directors meets to approve final prospectus and underwriting agreement.
18	Due diligence session with management, underwriters and professional advisors prior to filing final prospectus.
18	Company files final prospectus with Canadian securities commissions and issues a news release.
18-19	Closing, issuance of shares, commencement of trading on exchange and news release issued.

Expenses of an Initial Public Offering

Underwriters Commission

The underwriters' commission is usually based on a percentage of the gross proceeds of the offering. The exact percentage is based on the offering size (generally, the larger the offering, the lower the commission percentage) and other factors, such as the company's industry, the sponsorship of the company, and nature of the business. Underwriters may also receive other forms of compensation, such as securities of the issuer (sometimes in the form of warrants, referred to as "broker warrants"), expense reimbursement (for expenses such as legal fees and travel expenses incurred in connection with marketing of the offering), and the right to participate in future offerings.

Legal and Accounting Fees

Legal fees are incurred for structuring the transaction, providing strategic guidance, advising on corporate governance matters, coordinating the offering process, preparing the prospectus, undertaking due diligence and preparing the other necessary documentation to complete the offering. Accountants are generally required to audit and review the financial statements and other financial information included in the prospectus. The amount of these fees will generally depend on the complexity of the offering and the degree to which the company has prepared in advance for the public offering process.

Listing Fees

If the company is planning on listing its shares on a stock exchange, a listing fee is charged by the exchange. The original listing fee on the TSX is determined based on the market capitalization of each class of securities being listed on the TSX, with total original listing fees currently ranging from \$10,000 to \$200,000 (a non-refundable amount of \$10,000 must also be submitted at the time of the application). There is also an annual sustaining fee payable by the company for maintaining a listing on the TSX.

The original listing fee for the TSX-V ranges from \$10,000 to \$70,000, with an annual sustaining fee payable after the first year. There are also additional fees for certain transactions, such as property acquisitions and the issuance of additional securities.

Filing Fees, Printing Costs and Other Expenses

Each of the provincial and territorial securities commissions in Canada have prescribed fees payable in connection with an IPO.

Companies generally retain a printing company to print their preliminary and final prospectuses. Printing costs vary depending on factors such as the number of copies to be printed, the number of changes made to the draft prospectus, and the use of images and artwork, however, these costs are generally expected to decrease following the Canadian Securities Administrators' implementation of the "access equals delivery" model for prospectus delivery requirements. These requirements may now be met when (i) in respect of a preliminary prospectus, the prospectus is filed and a receipt issued and posted on SEDAR+, and (ii) in respect of a final prospectus, the prospectus is filed and receipt issued and posted on SEDAR+ and a news release is issued and filed by the company alerting investors that the prospectus is available electronically and that a paper copy can be obtained, upon request, without charge. The "access equals delivery" model also applies to prospectuses filed using the PREP Procedure (as defined under "[PREP Procedure](#)").

Marketing consultants will often be retained to assist in the preparation of an investor presentation and organizing the road show(s). A company may also have to retain certain other experts in connection with its IPO, depending on the nature of its business. Translation costs will also apply if the prospectus is filed in Québec. A variety of other ancillary expenses may be incurred.

Escrow and Resale Restrictions

Securities legislation and the rules of certain stock exchanges may require certain shareholders to place all or a portion of their securities in escrow in connection with a company's IPO. The escrow requirement is designed to ensure that members of the public who invest in a newly public company do not assume an unconscionable portion of the risk while at the same time recognizing the entitlement of the "founders" of that company to be appropriately rewarded for their efforts in the organization and initial financing of the company.

The escrow requirements typically apply to "promoters" of the company, directors and senior officers of the company, shareholders that own more than 10% of the voting securities of the company and have a right to appoint a director or senior officer, and any other person or company that owns more than 20% of the voting securities of the company (collectively, the "**Company Principals**"). Whether Company Principals are subject to escrow (and if so, the number of securities that Company Principals are required to place in escrow (typically with a trust company), and the timing of release of the securities from escrow), will depend upon several factors, including the stock exchange listing category being sought by the company and the size of the issuer.

Company Principals in respect of companies that will have a market capitalization of at least \$100 million subsequent to the IPO or will be listed on the TSX as an "exempt issuer", are generally exempt from the escrow requirements. Company Principals that are subject to the escrow requirements will generally have their escrowed securities released in six month instalments over an 18 month period (for "established issuers") or 36-month period (for "emerging issuers").

Securities legislation also imposes certain restrictions on the ability of controlling shareholders to resell their shares. Once released from escrow, persons owning a "control block" of the company's shares (generally, more than 20% of the outstanding voting shares), either alone, or in combination with others, will only be permitted to sell their shares by filing a prospectus or pursuant to an exemption from the prospectus requirements. After an initial four-month hold period, control block holders may sell either pursuant to a prospectus exempt trade or, subject to satisfaction of certain conditions, upon filing a notice with the securities commission and stock exchange at least seven days prior to the trade of such person's intention to sell the securities, details of the trade, and a declaration that the seller has no knowledge of any material change or other material adverse information with respect to the affairs of the company which has not been generally disclosed or reported to the securities commissions. Control block shareholders may also be able to seek an exemption from the control block rules to sell their shares pursuant to an automatic securities disposition plan via application to the applicable Canadian regulatory authority.

Reverse Take-Overs, SPACs and Capital Pool Companies

In general, a reverse take-over refers to a transaction whereby an existing public company – often inactive or a “shell” company—acquires a privately-owned business and issues enough securities to the owners of such private business to result in those persons owning a majority of the securities of the public company following the completion of the transaction. There are a number of ways to accomplish a reverse take-over, including (i) an acquisition of the private company by the public company in exchange for shares of the public company, (ii) the issuance of shares by the public company for cash, the proceeds of which are used by the public company to acquire a private company from the new investors, or (iii) the purchase of shares from a controlling shareholder of the public company and the subsequent acquisition of a private business owned by the new controlling shareholder.

In addition, the TSX has rules applicable to Special Purpose Acquisition Companies (“**SPACs**”) and the TSX-V has a program known as the Capital Pool Companies (“**CPC**”) program. SPACs and CPCs are both forms of “shell” companies that allow a sponsor to raise capital quickly and relatively inexpensively by incorporating a new company that has no active business and no assets, other than cash, and offering the company’s securities to the public by way of an IPO. As a public company, the SPAC or CPC is listed in a special class on the TSX or TSX-V and only permitted to engage in the identification and evaluation of assets or business opportunities with a view to acquiring a business (known as a “**Qualifying Transaction**”). Once the Qualifying Transaction has been completed and approved, the SPAC or CPC will begin trading as a regular issuer. SPACs and CPCs may be an alternative route to a conventional IPO to facilitate public market liquidity for private companies and asset portfolios. The amount of capital that may be raised into a CPC is much lower than the amount that is permitted for a SPAC, and therefore, CPCs tend to be used as a going public vehicle for junior issuers, while SPACs are more appropriate for larger, more mature companies.

There are a variety of securities law issues involved with reverse take-overs, SPACs and CPCs. A company should consult with its legal counsel to help identify issues that may arise because of going public by way of reverse takeover, SPAC or CPC.

Life as a Canadian Public Company

Overview

Public companies are subject to several duties, obligations and sources of liability, certain of which are briefly described below. This is not intended to be a comprehensive description of all considerations that may be relevant to a public company.

Governance and Proxy Advisory Guidance

Reporting issuers are subject to numerous corporate governance disclosure requirements and guidelines imposed by Canadian securities regulators and proxy advisory firms, including those described below. Canadian securities law guidance takes a “comply or explain” approach to most corporate governance matters, requiring that issuers disclose their compliance or explain their non-compliance with best practices.

The guidance suggests reporting issuers should have a board comprised of a majority of independent directors and a nominating committee and compensation committee comprised entirely of independent directors. Additional (and more stringent) independence criteria apply to audit committee members, all of whom are required to be independent, subject to limited exceptions. Proxy advisors also provide independence-related guidance that is, in certain respects, stricter than that under Canadian securities law independence rules.

Canadian securities laws also prescribe certain responsibilities of audit committees, including overseeing the work of the company’s external auditor and reviewing the company’s financial statements, management’s discussion and analysis (“**MD&A**”) and annual and interim earnings releases. Securities laws also require at least three directors on the committee, each of whom must be financially literate in addition to being independent. Additionally, Glass Lewis may recommend a withhold vote from the chair of an issuer’s audit committee if there is not at least one member of the committee who can reasonably be considered an “audit financial expert” (a more stringent standard than financial literacy under securities laws).

Reporting issuers should adopt written charters for the board and each committee, written position descriptions for the chair of the board and each committee, the lead director (if applicable) and CEO, and certain policies. Policies typically adopted by reporting issuers in Canada include a code of business conduct and ethics (in accordance with securities law guidance), majority voting policy (in accordance with the TSX’s majority voting requirements), advance notice policy, insider trading policy, whistleblower policy, diversity policy, share ownership policy, compensation clawback policy, and disclosure and confidential information policy.

Proxy advisory firms Institutional Shareholder Services (“**ISS**”) and Glass Lewis publish annual proxy voting guidelines setting forth their respective voting recommendations applicable to public companies regarding a range of issues. ISS and Glass Lewis may recommend shareholders vote against or withhold their vote for a director nominee or committee chair or member if an issuer’s corporate governance practice does not align with their guidance on a particular issue. While this guidance changes from year to year, recent key areas of focus for Canadian issuers include:

- Independence – ISS and Glass Lewis may each recommend withhold votes for directors where the board is less than majority independent or the board lacks a separate fully independent compensation or nominating committee. ISS and Glass Lewis each have their own (complex) definitions of independence that are more stringent than the definition under Canadian securities laws.

-
- Board diversity:
 - ISS will generally recommend a withhold vote for the chair of an S&P/TSX Composite Index issuer's nominating committee if (i) the board is comprised of less than 30% gender diverse directors and/or (ii) the board has no apparent racially or ethnically diverse members and the company has not provided a formal, publicly-disclosed written commitment to add at least one racially or ethnically diverse director at or prior to the company's next annual general meeting.
 - Overcommitted directors – ISS and Glass Lewis will generally oppose the election of a director nominee where they are “overcommitted” or “over boarded” vis-a-vis their membership on other public company boards.
 - Glass Lewis will generally recommend that shareholders of TSX issuers oppose the election of a director who serves as (i) an executive officer of a public company while serving on more than one additional external public company board, or (ii) an executive chair/vice chair of a public company while serving on more than two additional external public company boards or (iii) a non-executive director on more than five public company boards in total. Glass Lewis may refrain from recommending against certain directors if the company provides sufficient rationale for their continued board service or the director services on an excessive number of boards within a consolidated group of companies in related industries.
 - Glass Lewis will typically permit directors of TSX venture issuers to sit on up to nine boards.
 - ISS will generally recommend a withhold vote for director nominees of TSX and venture issuers who are (i) non-CEO directors and serve on more than five public company boards or (ii) CEOs of public companies who serve on the boards of more than two public companies besides their own.
 - ISS will generally recommend a withhold vote for the chair of a TSX-listed (non-S&P/TSX Composite Index) issuer's nominating committee if there are no women on the board of directors.
 - Glass Lewis will generally recommend a withhold vote for the chair of a TSX-listed issuer's nominating committee if the board is comprised of less than 30% gender diverse directors or the entire nominating committee if the board has no gender diverse directors. Glass Lewis has a minimum threshold of one gender diverse director on the board of venture issuers.
 - Board oversight of cyber security risk – If a company has been materially impacted by a cyberattack, Glass Lewis may recommend that shareholders vote against appropriate directors where the board's oversight, response or disclosures concerning cybersecurity-related issues were insufficient or not clearly communicated to shareholders.
 - Environmental social and governance matters – Glass Lewis and ISS both review a broad range of issuers' ESG policies.
 - Glass Lewis publishes an ESG profile and score for certain reporting issuers, which, according to Glass Lewis, represents a company's alignment with a core set of ESG factors that it believes are most important to companies and their shareholders.

-
- ISS similarly publishes ESG ratings for issuers based on a company's ability to effectively manage material ESG risks, reduce negative impacts, create positive social and environmental outcomes and capitalize on opportunities related to sustainable development. ISS assesses social and environmental proposals from TSX and venture issuers on a case-by-case basis, with a primary focus on whether implementing such proposal is likely to enhance or protect shareholder value.
 - Board accountability for climate-related issues:
 - Glass Lewis has advised that TSX 60 companies with material exposure to climate risk from their operations should provide thorough climate-related disclosure consistent with the recommendations of the Task Force on Climate-Related Financial Disclosures or IFRS S2 Climate-Related Disclosures and disclose specific and clearly defined oversight responsibilities for climate-related issues. In instances where such disclosure is either absent or significantly lacking, Glass Lewis will recommend voting against responsible directors.
 - ISS will generally recommend shareholders of TSX issuers vote against or withhold their vote from the chair of the responsible committee (or other directors on a case-by-case basis) where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy. This recommendation applies only to significant greenhouse gas emitters, as found on the Climate Action 100+ Focus Group list.
 - Share ownership guidelines – ISS and Glass Lewis both endorse the implementation of a share ownership policy that enforces minimum share ownership rules for named executive officers and directors, to ensure the interests of management and directors and long-term shareholders are aligned. These guidelines are broadly applicable and not limited to S&P/TSX Composite Index issuers.
 - Executive Compensation – ISS and Glass Lewis each evaluate executive pay practices, as well as certain aspects of non-executive director compensation, on a case-by-case basis (taking into account numerous factors, such as the mix between fixed and variable (i.e. performance tied) pay and short and long-term incentive compensation) and will recommend withhold votes for problematic pay practices where warranted.

Continuous Disclosure and Reporting Obligations

Annual and Interim Financial Statements

Annual financial statements include a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and a statement of financial position. The audited annual financial statements and related MD&A must be filed with the securities regulators within 90 days of a reporting issuer's financial year-end (within 120 days for venture issuers).

Interim financial statements include (i) statement of financial position as at the end of the interim period and a statement of financial position as at the end of the immediately preceding financial year and (ii) statements of comprehensive income, changes in equity and cash flows for the

year-to-date interim period, and comparative financial information for the corresponding interim period in the immediately preceding financial year. Interim statements are not required for the fourth quarter of the fiscal year. If the interim financial statements are not reviewed by an auditor, this must be disclosed to shareholders in a notice accompanying such statements. The interim financial statements and related MD&A must be filed with the securities regulators within 45 days of a reporting issuer's quarter-end (within 60 days for venture issuers).

The audit committee must review and report to the board regarding the annual and interim financial statements, both of which must be approved by the board prior to filing. Notwithstanding the foregoing, reporting issuers with audit committees may delegate the approval function for interim financial statements to the audit committee.

Issuers must file, together with the annual and interim financial statements, a certificate executed by each of the CEO and CFO which states that, among other things, the annual filings do not contain a misrepresentation and that the issuer's financial condition is fairly presented and the issuer has put in place appropriate internal and disclosure controls over financial reporting ("ICFR"). In contrast to the certifications required under the *Sarbanes-Oxley Act of 2002* in the United States, the Canadian certifications do not need to be accompanied by an auditor attestation as to ICFR.

Annual Information Form and MD&A

Reporting issuers listed on the TSX are required to prepare and file an annual information form ("AIF") on the business and operations of the company. All reporting issuers are required to prepare and file (annually and quarterly) a MD&A with respect to the financial condition and results of operations of the current financial situation and future prospects of the company. The MD&A and AIF must follow certain securities law form requirements. Specific securities law disclosure requirements also apply to disclosure of non-GAAP financial measures and other financial measures outside of financial statements, including but not limited to, disclosure in the MD&A.

AIF submissions are optional for venture issuers. TSX issuers must file their AIF with securities regulators within 90 days of the company's financial year end. The annual MD&A must be filed concurrently with the annual financial statements and an interim MD&A must be filed concurrently with the filing of interim financial statements.

Shareholder Meetings and Proxy Materials

Public companies are required to hold annual meetings of their shareholders for electing directors, appointing the auditor, and transacting such other business as the directors may determine or as may properly be brought before the meeting. Prior to holding any meeting, a company must prepare and send to each shareholder, within the prescribed time (which is typically 21 days before the date of the meeting or 30 days if using notice and access), a notice of meeting and proxy-solicitation materials, including an information circular. The information circular is required to contain detailed disclosure of, among other things, the directors of the company, executive compensation and governance practices and policies. The management information circular is intended to provide shareholders with sufficient information to enable them to evaluate and make an informed voting decision concerning the company's proposed actions.

Exchange Reporting

The TSX and TSX-V require reporting issuers to complete and submit forms within a prescribed timeframe upon the occurrence of certain company changes, such as number of outstanding and reserved securities, declaration of distributions, general company information, and any changes to the directors and officers.

All listed issuers must give immediate notice to the TSX or TSX-V, as applicable, of any proposed issuance of equity securities or options, or the entering into of any material agreement, and must not proceed with the transaction without the exchange's prior consent. Certain conditions to the issuance may apply, such as shareholder approval, if the proposed transaction may materially affect control of the company or provides consideration to the company's insiders in aggregate of 10% or greater of the market capitalization of the issuer and has not been negotiated at arm's length.

Additionally, issuers on both the TSX and TSX-V are required to obtain approval of the applicable exchange in respect of various other actions, such as a private placement of securities (depending on the nature of the transaction and pricing of securities) or adoption of, or amendment to, a security based compensation plan.

The TSX-V imposes a unique requirement on issuers to obtain pre-clearance of news releases related to certain material transactions, such as reverse take-overs, Qualifying Transactions (as defined under "**Reverse Take-Overs, SPACs and Capital Pool Companies**"), changes of control, future oriented financial information and disclosure of mineral reserves/resources or oil and gas reserves. The TSX-V also requires exchange notification and shareholder approval for transactions which result in the creation of a new control person, certain stock option plans, reverse takeover bids, changes of business and large dispositions of company assets (more than 50% of the issuer's assets).

Business Acquisition Reports

Reporting issuers are required to file a business acquisition report (a "**BAR**") within 75 days after completion of a significant business acquisition (no equivalent report is contemplated in respect of significant dispositions). An acquisition of a business by a non-venture issuer will generally be considered "significant" if the acquisition satisfies two or more of the following: (i) the issuer's proportionate share of the consolidated assets of the acquired business or related businesses exceeds 30% of the consolidated assets of the issuer, (ii) the issuer's consolidated investments in and advances to the business or related businesses as at the acquisition date exceeds 30% of the consolidated assets of the issuer and (iii) the issuer's proportionate share of the consolidated profit or loss of the acquired business exceeds 30% of the consolidated profit or loss of the company. For venture issuers, an acquisition is a "significant acquisition" if it meets either the test set forth in (i) or (ii) above at a 100% significance level. These calculations are made using the company's and the acquired business' audited financial statements for their most recently completed financial year.

The BAR must disclose, among other things, the type and amount of consideration paid and identify the source of funds used (including a description of any financing) in connection with the acquisition. The BAR will have to include financial statements of the acquired business and pro forma financial statements of the company giving effect to significant acquisitions that have been completed but are not reflected in the company's most recent annual financial statements.

Timely Disclosure and Material Change Reports

To ensure all investors have equal access to material information about a public entity, every reporting issuer is subject to timely disclosure obligations. New and material information concerning the company may, from time to time, arise as a result of a material change in the affairs of the company and require the filing of a material change report.

For the purposes of Canadian securities legislation, a “material change” is a change in the business, operations or capital of the company that would reasonably be expected to have a significant effect on the market price or value of any of the company’s securities. A “material change” also includes a decision to implement such a change that is made by the board or senior management, if they believe confirmation of the decision by the board is probable.

“Forthwith” after a material change, a reporting issuer must issue a press release authorized by a senior officer of the company, disclosing the nature and substance of the change and file a copy with the securities regulatory authorities, together with a material change report in the prescribed form with respect to the change as soon as practicable and in any event, within 10 days of the change.

An issuer may be relieved from the requirement to issue a press release if the disclosure would be unduly detrimental to the company in the reasonable opinion of the company. Also, in some cases, the filing of a confidential material change report, without the need to issue a press release, is permitted.

Selective Disclosure

To avoid creating opportunities for insider trading and damaging investor confidence in the fairness and integrity of the capital markets, reporting issuers are prohibited from engaging in selective disclosure. Selective disclosure occurs when an issuer discloses material non-public information to one or more individuals or companies and not broadly to the investing public. Material information may be disclosed, however, in the necessary course of business. This generally covers communications with employees, officers and directors and lenders, legal counsel, auditors and underwriters, among others.

Insider Reporting and Trading

Certain persons are subject to insider reporting requirements under Canadian securities laws, including, among others, (i) persons or companies who beneficially own or control, directly or indirectly, securities of the company carrying more than 10% of the total outstanding votes, (ii) CEO, CFO, chief operating officer and directors of the company, (iii) persons or companies responsible for a principal business unit, division or function of the company, and (iv) individuals performing functions similar to the functions performed by any of the foregoing (all referred to as “**reporting insiders**”). Generally, reporting insiders are required to file an initial insider report disclosing the reporting insider’s direct or indirect beneficial ownership, control or direction over securities of the company within 10 days of becoming a reporting insider and updated reports within five days of any changes to such ownership. Insider reports are filed electronically through the System for Electronic Disclosure by Insiders (known as SEDI). The disclosure requirement generally applies to (i) exercises of options, warrants or other convertible or exchangeable securities, and (ii) agreements that alter, directly or indirectly, a reporting insider’s economic exposure to the company or that involve, directly or indirectly, securities of the company or related financial instruments.

Exemptions to the insider reporting obligations are available to certain persons (e.g., “eligible institutional investors” may be exempt from such requirements if they, among other things, file reports under an alternative monthly reporting regime).

Persons in a “special relationship” with a public company are prohibited from trading securities of the company with knowledge of material undisclosed information. In addition to insiders, persons or companies in a special relationship with a reporting issuer include employees of the company, persons or companies that engage or are considering or evaluating whether to engage in business or professional activity with the company, and affiliates or associates of the company. Individuals in a special relationship with an issuer also include any person who learned of information from somebody who is in a special relationship.

Any person in a special relationship with the company who provides material non-public information to a third party (known as “tipping”) may also be liable to the seller or to the purchaser of such securities.

The potential statutory, civil and criminal penalties for persons or companies who offend insider trading legislation are substantial and may include fines, damages and/or imprisonment.

Early Warning Reports

Canadian securities laws impose an “early warning” disclosure requirement that is triggered when the aggregate holdings of a particular person (the “acquiror”), their associates, affiliates, and other joint actors (inclusive of securities obtainable within 60 days, whether or not on condition, on the conversion or exercise of other securities) exceeds 10% of the number of any class of equity or voting securities of a reporting issuer. If an acquiror reaches this threshold, the acquiror must promptly, and in any event, no later than the opening of trading on the business day following the acquisition, issue and file a news release containing certain prescribed information and file promptly, and in any event, no later than two business days from the date of the acquisition, a report in a prescribed form.

Once the initial early warning report is filed, subsequent reports are required where that same person acquires or disposes of additional securities equal to at least 2% of the total, falls below the 10% threshold or where there is a change in any material fact in the disclosure provided in the report. The purpose of this regime is to provide warning of potential changes of control.

Prospectus Liability and Civil Liability for Secondary Market Disclosure

The filing of a prospectus in connection with a public offering by a reporting issuer subjects the directors of such issuer to potential personal liability under Canadian securities laws. In particular, Canadian securities laws provide that where a prospectus contains a “misrepresentation”, each purchaser of securities offered under the prospectus is deemed to have relied on the misrepresentation as if it was a misrepresentation at the time of purchase, and has an elective remedy against the issuer either in damages or for rescission and a remedy against every director at the time the prospectus is filed and every person that signed the prospectus in damages.

Canadian securities laws also provide investors with a right of action with respect to misrepresentations in an issuer’s continuous disclosure documents or oral public statements or a failure to make timely disclosure of a material change. This right of action exists regardless of whether a particular investor relied upon the misrepresentation or the failure to make disclosure, making class actions more likely than was previously the case under common law.

The right of action applies to the issuer and others who may have played a role in the document, public oral statement, or failure to make timely disclosure (such as directors or officers of the issuer or experts).

The statutory scheme for secondary market liability distinguishes between a misrepresentation contained in a core document and a non-core document. “Core documents” generally include prospectuses, circulars, MD&A, AIFs, material change reports and annual and interim financial statements. To succeed on a statutory claim for misrepresentation in a core document, the claimant must show only that there was a misrepresentation in the document. Plaintiffs alleging misrepresentation in a non-core document or oral statement, however, will generally be required to prove that the defendant (i) knew of the misrepresentation, (ii) deliberately avoided acquiring knowledge of the misrepresentation, or (iii) was, through action or failure to act, guilty of gross misconduct in connection with the making of the misrepresentation.

Plaintiffs alleging failure to make timely disclosure will generally be required to prove that the defendant (i) knew that a material change had occurred, (ii) deliberately avoided acquiring knowledge of the material change, or (iii) was, through action or failure to act, guilty of gross misconduct in connection with the failure to make timely disclosure.

The regime includes specific defences to such claims. For example, the defendant will not be liable if they prove that (i) the plaintiff acquired or disposed of the issuer’s security with knowledge of the misrepresentation or material change, or (ii) before release of the misrepresentation or the failure to disclose, they conducted a “reasonable investigation” and had no reasonable grounds to believe that there was a misrepresentation or would be a failure to make timely disclosure.

A person or company will not be held liable for a misrepresentation with respect to forward-looking information (other than a misrepresentation in forward-looking information in a financial statement or document released in connection with an initial public offering) if such person or company proves all of the following: (i) the document or public oral statement containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information and identifying factors that could cause actual results to differ materially, and a statement of the material factors or assumptions used in drawing a conclusion or making a forecast or projection set out in the forward-looking information, and (ii) the person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

Canadian securities laws impose liability limits that vary based on the defendant. Such limits do not apply, however, to persons who “knowingly” make misrepresentations or fail to make timely disclosure.

Rules Concerning Related Party Transactions

Canadian securities laws impose additional procedural requirements for certain material conflict of interest transactions (namely, those in respect of which related parties of the reporting issuer are treated differently than public shareholders). Depending on the circumstances and subject to available exemptions, such enhanced requirements may include (i) enhanced disclosure to shareholders, (ii) approval of the transaction by a majority of the minority shareholders, (iii) a formal valuation, and/or (iv) formation of a special committee of independent directors.

Continuous Disclosure and Reporting Obligations in the United States

Certain Canadian dual-listed issuers that qualify as “foreign private issuers” under United States securities laws are eligible to use MJDS for purposes of complying with their U.S. continuous disclosure and reporting obligations. Such issuers are also exempt from certain other United States’ securities rules (including with respect to proxy solicitation, insider and other reporting requirements, and certain corporate governance practices).

So long as a Canadian issuer remains a foreign private issuer, and meets the other eligibility criteria to use MJDS, they are required to file annual reports on Form 40-F with the SEC, including audited financial statements, MD&A, and disclosures on off-balance sheet arrangements, audit committee expertise, and internal controls (including CEO and CFO certifications similar to those required under Canadian securities laws). Such issuers must also submit Form 6-K reports promptly to disclose material information released publicly in Canada, filed with Canadian regulators, or distributed to shareholders, typically including material press releases, quarterly financial statements, MD&A, management information circulars, and material change reports.

Appendix “A” - TSX Listing Requirements

	Exempt	Non-Exempt	Non-Exempt	Non-Exempt	Non-Exempt
Minimum Listing Requirements	Senior Companies	Profitable Companies	Companies Forecasting Profitability	Research and Development Companies	Technology Companies
Public Distribution					
Number of freely tradable shares held by public holders	1 million	1 million	1 million	1 million	1 million
Number of public holders ⁽¹⁾	300	300	300	300	300
Aggregate market value of freely tradable shares held by public holders	\$4 million	\$4 million	\$4 million	\$4 million	\$10 million ⁽²⁾
Financial Requirements					
Net tangible assets	\$7.5 million	\$2 million	\$7.5 million	N/A	N/A
Pre-tax earnings	\$300,000	\$200,000	\$200,000 ⁽³⁾	N/A	N/A
Pre-tax cash flow	\$700,000/\$500,000 ⁽⁴⁾	\$500,000	\$500,000 ⁽³⁾	N/A	N/A
Cash in treasury (raised via prospectus)	N/A	N/A	N/A	\$12 million	\$10 million
Sufficient funds (to cover expenses, research and development and capex)	N/A	N/A	N/A	2 years	1 year
Working capital	Adequate	Adequate	Adequate	N/A	N/A
Capital Structure	Appropriate	Appropriate	Appropriate	N/A	N/A
Other Criteria					
Product/service	N/A	N/A	N/A	Ability to commercialize	Advanced
Operating history	N/A	N/A	N/A	2 years	N/A
Sponsorship	N/A	Generally required	Generally required	Generally required	Generally required

All amounts are expressed in Canadian dollars. For detailed listing requirements, go to www.tmx.com.

Notes:

1. “public holder” means a security holder who is not a director or officer of the company and who does not own or control, directly or indirectly, securities carrying more than 10% of the votes attached to all of the outstanding voting securities of the company.
2. Technology companies are subject to the additional requirement of having a minimum market value of the issued securities that are to be listed of at least C\$50 million.
3. Forecast for current or next fiscal year.
4. The issuer is required to have C\$700,000 of pre-tax cash flow in its fiscal year immediately preceding the filing of the listing application and an average pre-tax cash flow of C\$500,000 for the two fiscal years immediately preceding the filing of the listing application.

Appendix “B” - TSX-V Listing Requirements

Initial Listing Requirements	TSX Venture Tier 1 Industrial / Technology / Life Sciences / Real Estate	TSX Venture Tier 2 Industrial / Technology / Life Sciences / Real Estate
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 (\$5,000,000 for real estate) 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
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
Property	Issuer has Significant Interest in business or primary asset used to carry on business	
Prior Expenditures and Work Program	History of operations or validation of business (industrial, technology and life sciences companies) Disclosed investment policy (real estate companies)	History of operations or validation of business (industrial, technology and life sciences companies) Disclosed investment policy and 50% of available funds allocated to at least two specific investments (real estate companies)
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
Sponsorship	Sponsor Report may be required	

All amounts are expressed in Canadian dollars. For detailed listing requirements, go to www.tmx.com.

Appendix “C” - Glossary

“**AIF**” has the meaning given to it under “**Life as a Canadian Public Company-Annual Information Form and MD&A**”.

“**BAR**” has the meaning given to it under “**Life as a Canadian Public Company-Continuous Disclosure and Reporting Obligations-Business Acquisition Reports**”.

“**Base PREP Prospectus**” has the meaning given to it under “**The Prospectus Process-PREP Procedure**”.

“**Cboe**” has the meaning given to it under “**The Decision to Go Public-Canadian Stock Exchanges**”.

“**CEO**” has the meaning given to it under “**The Decision to Go Public-Canadian Stock Exchanges-TSX Listing Requirements**”.

“**CFO**” has the meaning given to it under “**The Decision to Go Public-Canadian Stock Exchanges-TSX Listing Requirements**”.

“**Company Principals**” has the meaning given to it under “**Escrow and Resale Restrictions**”.

“**CPC**” has the meaning given to it under “**Reverse Take-Overs, SPACs and Capital Pool Companies**”.

“**CSE**” has the meaning given to it under “**The Decision to Go Public-Canadian Stock Exchanges**”.

“**FOFI**” has the meaning given to it under “**The Prospectus Process-Preparing the Prospectus-Forma and Future-Oriented Financial Information**”.

“**ICFR**” has the meaning given to it under “**Life as a Canadian Public Company - Continuous Disclosure and Reporting Obligations - Annual and Interim Financial Statements**”.

“**IFRS**” has the meaning given to it under “**Preparing to Go Public-Financial Statements**”.

“**IPO**” has the meaning given to it under “**Introduction**”.

“**ISS**” has the meaning given to it under “**Life as a Canadian Public Company-Governance and Proxy Advisory Guidance**”.

“**MD&A**” has the meaning given to it under “**Life as a Canadian Public Company-Governance and Proxy Advisory Guidance**”.

“**MJDS**” has the meaning given to it under “**Where to Go Public-Cross-Border IPOs**”.

“**Nasdaq**” has the meaning given to it under “**Where to Go Public-Cross-Border IPOs-Exchange Listing**”.

“**NYSE**” has the meaning given to it under “**Where to Go Public-Cross-Border IPOs-Exchange Listing**”.

“**OSC**” has the meaning given to it under “**Where to Go Public-Cross-Border IPOs-Disclosure Documents and Distribution**”.

“**PREP Procedure**” has the meaning given to it under “**The Prospectus Process-PREP Procedure**”.

“**Qualifying Transaction**” has the meaning given to it under “**Reverse Take-Overs, SPACs and Capital Pool Companies**”.

“**reporting insiders**” has the meaning given to it under “**Life as a Canadian Public Company-Continuous Disclosure and Reporting Obligations**”.

“**SEC**” has the meaning given to it under “**Preparing to Go Public-Financial Statements**”.

“**SPAC**” has the meaning given to it under “**Reverse Take-Overs, SPACs and Capital Pool Companies**”.

“**Supplemented PREP Prospectus**” has the meaning given to it under “**The Prospectus Process-PREP Procedure**”.

“**TSX**” has the meaning given to it under “**The Decision to Go Public-Canadian Stock Exchanges**”.

“**TSX-V**” has the meaning given to it under “**The Decision to Go Public-Canadian Stock Exchanges**”.

“**U.S. GAAP**” has the meaning given to it under “**Preparing to Go Public-Financial Statements**”.