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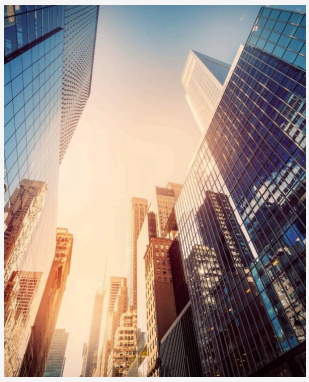
New measures adopted by Canadian Securities Administrators aim to support Canada's capital markets competitiveness



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The Canadian Securities Administrators (CSA) have adopted several new measures that are intended to support market participants who choose to go public, maintain a listing, and contribute to capital formation in Canada. The new measures are contained in three coordinated blanket orders issued by each member of the CSA on April 17, 2025. The blanket orders were effective immediately, but will expire on October 16, 2026 unless extended by the CSA. We view the measures as incremental but positive changes that show the continued efforts of Canadian securities regulators to reduce unnecessary regulatory burden and support capital raising in Canada.

Only two years of audited financial statements now required in a Canadian IPO prospectus

The new measures grant an exemption from the requirement to include a third year of audited financial statements in a long form prospectus or other disclosure document that requires the same disclosure as in a long form prospectus, such as information circulars that are filed in relation to restructuring transactions. This means that any issuer filing a Canadian prospectus for an initial public offering (IPO) is now able to include only two years of audited financial statements instead of three, in addition to the required interim financial statements for the applicable periods. For many years, eligible issuers under U.S. securities laws have been able to include only two years of audited financial statements in an IPO prospectus. The new measures level the playing field with U.S. rules and have the added benefit of applying to any IPO issuer, irrespective of size or revenues.

Technical changes relating to standard term sheets and marketing materials

The new measures grant a limited exemption from the requirement that a standard term sheet or marketing materials used before a receipt for a final prospectus has been issued

contain only information that is disclosed in or derived from the preliminary prospectus, or an amended preliminary prospectus. This limited exemption applies only to "specified pricing information", which is defined as (1) the price, or the price range, of offered securities (2) the total number, or the range of the total number, of offered securities (3) the total dollar amount, or the range of the total dollar amount, of offered securities (4) the total number, or the range of the total number, of securities of the issuer of the class proposed to be distributed under the prospectus that would be outstanding post-offering (5) post-offering ownership, or the range of the post-offering ownership, of the issuer by selling securityholders and principal securityholders or (6) any other terms of the offered securities or information regarding the issuer that are mathematically derived from any of the information referred to in items (1) to (5) above.

Prior to the new measures, a new amended preliminary prospectus or a final base PREP prospectus was required to be filed if there was a desire to send an updated term sheet or other marketing materials to investors to communicate a change in the marketing price range or offering size from that previously disclosed in the preliminary prospectus or amended preliminary prospectus. This was a significant inconvenience and additional expense. This situation most typically would arise in the context of an IPO, since pricing and pricing-related information would not typically change in a bought deal or other follow-on offering.

The exemption requires a press release containing the specified pricing information to be issued and filed before the updated term sheet or other marketing materials are provided to investors. We expect issuers in most cases will continue to file an amended preliminary prospectus on an IPO for the purposes of disclosing the marketing price range and offering size for the first time, and updating other information in the preliminary prospectus. However, given the new exemption, the issuer will not need to wait for the amended prospectus to be receipted before using the term sheet or marketing materials with the updated pricing information. We also expect the new exemption to be used in situations where the marketing price range or offering size changes from what was originally disclosed.

Promoter certificate

The new measures adopt what had been an administrative practice in some jurisdictions of exempting promoters from signing a prospectus certificate in their capacity as a promoter, as long as the promoter was an individual and was signing the prospectus certificate in some other capacity, such as the Chief Executive Officer, the Chief Financial Officer, a director, or selling shareholder. This allows the individual promoter to avoid duplicative prospectus liability as a promoter on the basis that the individual is already subject to prospectus liability in that person's other capacity. The new measures will eliminate the need to request specific exemptive relief for this treatment in connection with a prospectus filing.

New reporting issuer prospectus exemption

The new measures introduce a new prospectus exemption for companies that have recently gone public in Canada through an underwritten IPO. This prospectus exemption is, in some respects, modelled on the listed issuer financing exemption (LIFE) introduced by the CSA in 2022, but has a higher cap (the lesser of $100 million and 20% of market capitalization as compared to the LIFE limits of the greater of $5 million and 10% of market capitalization, up to a maximum of $10 million, in each case within the last 12 months), but can only be used within the 12 months following an issuer's final IPO prospectus. The new reporting issuer prospectus exemption provides an alternative to the traditional prospectus offering path as a means of raising capital prior to the time at which the issuer may be eligible to file a shelf prospectus under the well-known seasoned issuer framework after 12 months of being a

reporting issuer.

We previously published an Osler Update on June 28, 2023 on the LIFE. We expect the LIFE will remain important to junior issuers as it continues to be available to an issuer as it grows, subject to the size and other limits of the exemption. The key differences between the LIFE and the new reporting issuer financing exemption are set out in the table below.

	Listed Issuer Financing Exemption	New Reporting Issuer Prospectus Exemption
Eligibility for exemption	Must be reporting issuer for minimum of 12 months.	Can only be used within 12 months following final IPO prospectus; not available to ineligible OTC issuer.
Cap on total proceeds raised using this prospectus exemption within last 12 months	Greater of $5 million and 10% of market capitalization, up to a maximum of $10 million. Offerings can't increase issuer's listed equity by more than 50% in last 12 months.	$100,000,000, subject to 20% limit below. Cumulative offerings cannot exceed 20% of market capitalization at time of latest offering announcement.
Pricing limitations	None	Offering price must be same or higher than IPO price.
Type of offered securities	The security being distributed must be either (i) a listed equity security or (ii) a unit consisting of a listed equity security and a warrant convertible into a listed equity security.	The security being distributed must be of the same class as was offered under the IPO prospectus.
Restriction on use of proceeds	Can't be used for a significant acquisition, restructuring transaction or any transaction requiring securityholder approval.	Cannot be used for restructuring transaction or any transaction requiring securityholder approval. If issuer is a venture issuer (not listed on the TSX or U.S. exchange), can't be used for a significant acquisition.

Other significant restrictions	None	Distribution cannot result in a new control person or result in an investor acquiring securities that would entitle it to elect a majority of directors. Cannot be used for distribution to employee, insider or consultant.
Hold period	Securities offered not subject to a hold period, except for unsold securities purchased by the underwriters in a bought deal.	Same
Offering document	Form 45-106F19 – Listed Issuer Financing Document must be filed before any solicitation of offers.	No prescribed form, but contents of offering document are somewhat similar to Form 45-106F19 and must be filed before any solicitation of offers.
Other filings	45-106F1 – Report of Exempt Distribution must be filed within 10 days.	Same
French translation requirements	Form 45-106F19 must be translated.	Offering document must be translated.
Available for secondary offerings	No	No

While the pricing limitations of the new reporting issuer exemption may restrict its use, the new exemption may be useful for issuers seeking to get more utility from their IPO prospectus (and related IPO costs), particularly when market conditions compel a smaller than desired IPO that may require a follow-on offering to achieve the issuer's full business plan.

As with the LIFE, we anticipate the new reporting issuer prospectus exemption may be of interest to junior issuers who wish to avoid the costs of an additional prospectus offering and who do not intend, or are not able, to access the market for underwritten bought deals. While the new reporting issuer prospectus exemption could be used for a bought deal without the need for a prospectus, the same issues that make a bought deal impractical when using the LIFE would also apply to the new exemption; namely the fact that unsold shares in the bought deal would be subject to a four month hold period and that wall-crossing of accounts ahead of public announcement of the offering would be prohibited. For these reasons, we believe any issuer that intends to raise equity capital by way of an underwritten bought deal would be better off using a shelf prospectus or short form

prospectus, and following traditional bought deal practices, rather than relying on the new reporting issuer prospectus exemption.

Technical change to offering memorandum prospectus exemption

The final element of the new measures is a technical change relating to the maximum amount that an investor can invest in an offering of securities made in reliance on the offering memorandum prospectus exemption (OM exemption) in section 2.9 of National Instrument 45-106 – Prospectus Exemptions. The new measures amend the investment limit for an individual investor in order to allow the re-investment of proceeds of disposition of an investment in the same issuer under the OM exemption to not be counted towards the 12-month investment limit of $100,000, provided the investor receives advice from a registered dealer or registered adviser that the re-investment of proceeds and any new investment under the OM exemption continues to be suitable for the investor. This change only applies in the provinces of Alberta, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan, since there is no such investment limit in other CSA jurisdictions.

We note the OM exemption does not tend to be used by issuers who have access to the market for underwritten bought deals or traditional brokered private placements. However, the new change may facilitate the continued use of the OM exemption by any issuers who currently use it.