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Canadian Securities Administrators announce amendments to venture issuer requirements

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The Canadian Securities Administrators ("CSA") have announced that, on several fronts, they are implementing amendments to the disclosure requirements for venture issuers, including those listed on the TSX Venture Exchange. These amendments primarily address continuous disclosure and governance obligations, while also implementing changes to disclosure obligations for prospectuses and information circulars.

These amendments include:

1. The introduction of an option to use Quarterly Highlights to provide MD&A
2. Restrictions on Audit Committee composition and exceptions thereto
3. A staggered threshold for the disclosure of the perquisites of NEOs and directors
4. The modification of the deadline for executive compensation disclosure
5. Harmonization of significance levels for Business Acquisition Reports

WHAT YOU NEED TO KNOW

ENTRY INTO FORCE

The primary amendments will be in effect as of June 30, 2015.

> Exception: Quarterly Highlights disclosure will apply in respect of financial years beginning July 1, 2015 onward. (See below).
> Exception: Audit composition requirements will apply in respect of financial years beginning January 1, 2016 onward. (See below).

1. OPTION TO USE QUARTERLY HIGHLIGHTS: APPLICABLE FOR FINANCIAL YEARS BEGINNING JULY 1, 2015 ONWARD

National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) was amended so that all venture issuers will have the option of providing a quarterly highlights disclosure ("**Quarterly Highlights**") in order to meet the requirement to provide interim MD&A, instead of complying with Form 51-102F1.

Quarterly Highlights consist in a brief discussion of the company's operations, liquidity and capital resources and also cover topics such as major operating milestones, known trends, risks or demands, and any significant changes since the last disclosure.

Although simplified, a number of formalities must be followed in order to properly comply with the Interim MD&A obligations by providing Quarterly Highlights.

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2. AUDIT COMMITTEE COMPOSITION: APPLICABLE FOR FINANCIAL YEARS BEGINNING JANUARY 1, 2016 ONWARD

National Instrument 52-110 *Audit Committees* will require that venture issuers have an Audit Committee consisting of at least three members, the majority of whom cannot be executive officers, employees or control persons of the issuer or an affiliate (the "**Composition Requirement**"). This will not impose much change to issuers listed on the TSX Venture Exchange, as the TSX Venture Exchange Corporate Finance Manual already provides similar requirements for those issuers.

However, the new regulation has provided two exceptions to the Composition Requirement :

First, should an Audit Committee member become a control person of the issuer or an affiliate thereof for reasons outside the member's reasonable control, the Composition Requirement will not apply for a specified period of time.

Second, the CSA has provided that if a vacancy on the audit committee is caused by death, incapacity or resignation, the Subsection 3 will not apply for a specified period of time.

3. STAGGERED THRESHOLD FOR PERQUISITE DISCLOSURE

The instrument also amends the requirements for perquisite disclosure with the introduction of *Form 51-102F6V Statement of Executive Compensation -- Venture Issuers*.

The amendments will require the disclosure of perquisites of a certain value, calculated on staggered thresholds based on the named executive officer ("**NEO**") or director's annual salary:

> Perquisites above $15,000 will have to be disclosed if the NEO or director's salary is $150,000 or less.
> Perquisites representing over 10% of a NEO or director's salary between $150,000 and $500,000 will also have to be disclosed.
> Perquisites of over $50,000 will have to be disclosed for NEO or director salaries of over $500,000.

4. DEADLINE FOR FILING EXECUTIVE COMPENSATION DISCLOSURE

The CSA has further amended NI 51-102 by including a deadline for filing executive compensation disclosure on *Form 51-102F6V*, which will have to be submitted no later than 180 days after the end of a venture issuer's most recently completed financial year.

5. SIGNIFICANCE LEVEL FOR BUSINESS ACQUISITION REPORTS (BARS)

Under current regulations, all issuers, including venture issuers, must file a Business Acquisition Report for all "significant" acquisitions. A significant acquisition is established as being one that exceeds 40% on the asset or investment test under Part 8 of NI 51-102. Under the amendment, this threshold will be raised to 100% for venture issuers.

The current filing deadline of 75 days from the acquisition will continue to apply.

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