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SECURITIES ALERT

Canadian Securities Administrators (“CSA”) introduce Streamlined Venture Issuer Disclosure

The CSA recently announced it will introduce amendments to the continuous disclosure obligations and audit committee composition requirements of venture issuers (the “Venture Issuer Amendments”). The Venture Issuer Amendments will come into force on June 30, 2015.

The Venture Issuer Amendments are designed to focus venture issuer disclosure requirements on information that reflects the needs and expectations of venture issuer investors and to eliminate disclosure obligations that may be less valuable to those investors. The Venture Issuer Amendments will also streamline the disclosure requirements for venture issuers, thereby allowing management more time to focus on the growth of their business. In addition, the Venture Issuer Amendments enhance the governance requirements for venture issuers.

The Venture Issuer Amendments allow venture issuers without significant revenue to provide a streamlined and highly focused report of quarterly highlights instead of the interim management discussion and analysis (“MD&A”) that is currently required. The financial disclosure in the quarterly highlights would consist primarily of a short discussion of the venture issuer’s operations and liquidity. Venture issuers can decide whether to adopt the streamlined disclosure in the financial highlights or to continue to follow the existing interim MD&A requirement, depending on the needs of each particular issuer’s investors.

The Venture Issuer Amendments also allow venture issuers to implement a new tailored form of executive compensation disclosure. Currently, the executive compensation disclosure requirements for venture and non-venture issuers are nearly identical. The Venture Issuer Amendments will: (i) reduce the number of individuals for whom disclosure is required from a maximum of five to a maximum of three – CEO, CFO and one additional officer; (ii) reduce the number of years of disclosure from three to two and (iii) eliminate the requirement to disclose the grant date fair value of stock options and other share based awards. Venture issuers can choose whether to continue with the existing fuller disclosure requirements or to adopt the new disclosure requirements. Although executive compensation is generally disclosed in the issuer’s management information circular, the Venture Issuer Amendments clarify that executive compensation must be disclosed by venture issuers in the prescribed form no later than 180 days after the issuer’s financial year end, whether in a management information circular or otherwise.

The Venture Issuer Amendments also reduce the instances in which a business acquisition report (“BAR”) must be filed by venture issuers. Currently, all issuers must file a BAR within seventy-five days of a significant acquisition. The Venture Issuer Amendments will increase the “significant” reporting threshold for venture issuers from forty percent to one hundred percent, thereby reducing the instances where BARs are required. They also eliminate the requirement for venture issuers to include *pro forma* financial statements in a BAR.

The Venture Issuer Amendments require all venture issuers to have an audit committee consisting of at least three members, the majority of whom cannot be executive officers,



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employee or control persons of the issuer. This is already a requirement for TSX Venture Exchange listed venture issuers. The Venture Issuer Amendments audit committee composition requirements include some exceptions for events outside the control of the committee member and for death, disability or resignation of a committee member.

The Venture Issuer Amendments also simplify prospectus disclosure requirements for venture issuers filing a prospectus in order to become a reporting issuer by reducing the number of years of audited financial statements from three to two in any IPO prospectus where an issuer will become a venture issuer on completion of the IPO. They also reduce the requirement to describe a venture issuer's business and history from three to two years and allow venture issuers to use the quarterly highlights described previously instead of interim MD&As in their prospectus.

The Venture Issuer Amendments will come into effect on June 30, 2015. The option to provide quarterly report highlights disclosure will apply to financial years beginning on or after July 1, 2015. The executive compensation filing deadlines will also apply to financial years beginning on or after July 1, 2015. The audit committee composition requirements will apply to financial years beginning on or after January 1, 2016. Overall, the Venture Issuer Amendments should provide improved information to venture issuer investors while reducing the burden of disclosure for venture issuers

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Contact us today and speak with a member of our securities law team.

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