

August 8, 2014

SENT VIA EMAIL

To: British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority (Saskatchewan)
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

Attention: Larissa Streu
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Autorité des marchés financiers
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Dear Sirs/Mesdames:

Re: Proposed Amendments to National Instrument 51-102 *Continuous Disclosure Obligations*, National Instrument 41-101 *General Prospectus Requirements* and National Instrument 52-110 *Audit Committees*

On behalf of a client, we wish to provide comments on the Proposed Amendments to National Instrument 51-102 *Continuous Disclosure Obligations* (“NI 51-102”), National Instrument 41-101 *General Prospectus Requirements* (“NI-41-101”) and National Instrument 52-110 *Audit Committees* (“NI 52-110”), published by the Canadian Securities Administrators (the “CSA”) on May 22, 2014.

Our client (the “Company”) is a reporting issuer because it has issued non-convertible debt securities to the public. The Company is jointly owned by more than one entity, each of whom has an equal equity and voting stake. None of the Company’s equity securities trade on a marketplace.

NI 52-110

The proposed changes to NI 52-110 would require venture issuers to have an audit committee composed of three members, a majority of whom must not be executive officers, employees or control persons of the venture issuer or an affiliate of the venture issuer.

As the instrument currently reads, Section 1.2(e) of NI 52-110 provides an exception from the application of NI 52-110 for an issuer that is a “subsidiary entity” if the entity “does not have equity securities (other than non-convertible, non-participating preferred securities) trading on a marketplace,” provided that the parent of the entity is subject to NI 52-110, as set forth in Section 1.2(e)(ii).

In order for the exception to apply, an entity must be a “subsidiary entity” which requires the entity to be “controlled” by a person or company, which is the parent referred to in Section 1.2(e)(ii). “Control” is defined to mean “the direct or indirect power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities or otherwise”. We assume that this exception is meant to reflect the fact that, as a controlled entity, the financial results of the subsidiary entity would typically be consolidated into the parent company’s results, and the audit committee of the parent would provide oversight of the subsidiary with an appropriate level of independence and financial literacy.

The current exception does not apply to the Company, because it is jointly owned by more than one entity. Although all of the parent entities are subject to and in compliance with NI 52-110, none of the parent entities on its own “controls” the Company within the meaning of the applicable definition (i.e., individually is in a position to direct or cause the direction of the management and policies of the Company).

Ultimately, each parent entity of the Company uses equity accounting with respect to the Company in reporting its own financial position and results and as such, the audit committee of each parent entity provides oversight of the Company as part of the parent entity’s processes. Given further that none of the Company’s equity securities trade on a marketplace, we do not see a policy reason why the Company should not receive the same exception to the application of NI 52-110 as an entity that is controlled and consolidated by only a single entity.

We submit that:

- a) NI 52-110, Section 1.2(e) should be expanded to exempt an entity that does not have equity securities trading on a marketplace, where a majority of its voting securities are held by more than one entity that consolidates or uses equity accounting with respect to the accounts of the issuer entity on their own financial statements and that are subject to and in compliance with NI 52-110; or
- b) in the alternative, we would suggest that the CSA consider providing an exception to the proposed venture issuer audit committee composition requirements of Part 6 of NI 52-110, for a venture issuer where a majority of its voting securities are held by entities that consolidate or use equity accounting with respect to the accounts of the issuer entity on their own financial statements and are in compliance with NI 52-110.

In the event that the submissions above are not accepted by the CSA, we would request guidance on the circumstances where the CSA would be willing to grant an exemption order to a venture issuer from the proposed Part 6 of NI 52-110 (specifically, proposed Section 6.1.1).

Other Submissions

While the CSA has not requested comments on other venture issuer requirements, the Company would also like to submit a similar proposed revision with respect to National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“NI 58-101”).

We submit that where a majority of a venture issuer's voting securities are held by one or more entities that are subject to NI 58-101 and its financial results are consolidated or incorporated by equity accounting into such parent entities, there is sufficient oversight of the subsidiary entity's governance practices provided by the parents.

Accordingly, we further submit that a more principles-based disclosure would be appropriate, outlining the general manner in which the venture issuer approaches corporate governance, rather than requiring specific disclosure on all of the items currently set forth in Form 58-101F2. While many of such items may well be covered by a venture issuer under more general principles-based disclosure, we suggest that more flexibility in the disclosure requirements than is currently provided under Form 58-101F2 would be appropriate.

Thank you for the opportunity to comment on the proposed amendments. If you have any questions or would like any further clarification on the above, please contact David Taniguchi by telephone at 403-298-1891 or by email at david.taniguchi@gowlings.com.

Sincerely,

GOWLING LAFLEUR HENDERSON LLP

/mjb