August 11, 2014

Zafar Khan
Policy Counsel
Listed Issuer Services
27th Floor, 650 West Georgia Street
P.O. Box 11633
Vancouver, BC V6B 4N9
T (604) 602-6982
F (604) 488-3121
zafar.khan@tsx.com

BY E-MAIL

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Financial and Consumer Affairs Authority (Saskatchewan)
Manitoba Securities Commission
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Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

c/o Larissa Streu
Senior Legal Counsel, Corporate Finance
British Columbia Securities Commission

Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers

Dear Sirs/Mesdames:

Re: CSA Notice and Request for Comment on Proposed Amendments to:
- **National Instrument 51-102** ***Continuous Disclosure Obligations***
- **National Instrument 41-101** ***General Prospectus Requirements***
- **National Instrument 52-110** ***Audit Committees***

TSX Venture Exchange ("**TSXV**" or the "**Exchange**") welcomes the opportunity to comment on the above-referenced Notice and Request for Comment (the "**Request for Comment**") published by the Canadian Securities Administrators (the "**CSA**") on May 22, 2014.

As a general overarching comment, TSXV is supportive of the CSA's efforts to tailor and, as applicable, streamline requirements for venture issuers in the areas of continuous disclosure, corporate governance and prospectus offerings. The CSA's historic and continuing distinction of venture issuers from non-venture issuers is an important factor in supporting Canada's public venture capital market and facilitating the ability of early stage enterprises to access the Canadian public markets in a cost effective manner while also ensuring that such issuers provide adequate

disclosure to the public and comply with specified corporate governance practices. The CSA's proposals described in the Request for Comment appear to be a positive step in terms of further recognizing and distinguishing the disclosure and corporate governance considerations applicable to venture issuers as compared to non-venture issuers.

A. Responses to Questions Posed in the Request for Comment:

The Request for Comment sets forth eight questions for which the CSA requested specific feedback. Our responses to certain of these questions are as follows (enumerated in the manner set forth in the Request for Comment):

1. We propose to permit venture issuers without significant revenue in the most recently completed financial year to provide the more tailored and focused "quarterly highlights" form of MD&A in interim periods. Venture issuers that have significant revenue would be required to provide existing interim MD&A for interim periods because we think that larger venture issuers should provide more detailed disclosure.

a. Do you agree that we have chosen the correct way to differentiate between venture issuers?

b. Should all venture issuers be permitted to provide quarterly highlights disclosure?

The Exchange is supportive of the CSA's proposal to allow venture issuers to satisfy the interim period MD&A disclosure requirements by providing "quarterly highlights" disclosure in lieu of providing the full MD&A disclosure currently required by Form 51-102F1 *Management's Discussion & Analysis* ("**Form 51-102F1**"). The use of quarterly highlights should, however, not be limited to only those venture issuers without significant revenues. All venture issuers (with or without significant revenues) should be permitted to provide quarterly highlights disclosure in lieu of the full MD&A disclosure currently required by Form 51-102F1.

Allowing ventures issuers with significant revenues to provide quarterly highlights disclosure in lieu of the full MD&A disclosure should not present any material disclosure concerns for the market given that the quarterly highlights are required to discuss all matters that have materially affected a company's operations and liquidity in the quarter (or are reasonably likely to have a material effect going forward). Correspondingly, irrespective of whether or not the venture issuer is revenue generating, the quarterly highlights would require a summary discussion of the information pertinent to the issuer's operations and liquidity.

In the event that the CSA determines that it is necessary to differentiate between venture issuers for MD&A purposes based on a significant revenue threshold, we recommend that NI 51-102 (or its Companion Policy) include specific guidance as to what should be considered "significant revenue" for these purposes.

2. We are proposing to clarify filing deadlines for executive compensation disclosure by both venture and non-venture issuers. In most cases, the disclosure is contained in an issuer's information circular and the filing deadline is driven by the issuer's corporate law or organizing documents, and the timing of its annual general meeting (AGM). Issuers may also include the disclosure in their Annual Information Form.

We are proposing to revise Section 9.3.1 of NI 51-102 to set the deadline for filing executive compensation disclosure by non-venture issuers at 140 days. For venture issuers, we are proposing a corresponding deadline of either 140 days or 180 days. For venture issuers whose corporate law or organizing documents permit a later AGM, an earlier deadline could result in an issuer filing its executive compensation disclosure twice: once as a stand-alone form to meet the deadline in Section 9.3.1 of NI 51-102 and a second time with the information circular filed for the AGM.

What is the most appropriate deadline applicable to venture issuers for filing executive compensation disclosure: 140 days, 180 days or some later date? Please explain.

The Exchange is supportive of the CSA's proposal to implement a new tailored form of executive compensation disclosure for venture issuers. In terms of the appropriate deadline applicable to venture issuers for filing their annual executive compensation disclosure, the Exchange considers 180 days from the financial year end to be reasonable. This should provide issuers with sufficient time to complete the required disclosure while also ensuring that the disclosure is provided to the public within a reasonable period of time following the issuer's financial year end.

It should be noted that in discussions with the Exchange's Local Advisory Committees in June 2014, certain Committee members advised that it is not uncommon for venture issuers to hold their annual general meetings later in their financial year and, as such, it is routine for such issuers to complete their required executive compensation disclosure subsequent to 180 days from their financial year end. Correspondingly, the imposition of a specified deadline for filing executive compensation disclosure would necessitate a change to the disclosure practices of such issuers. The Exchange is sharing this feedback with the CSA for informational purposes only and suggests that the CSA take it into consideration when assessing the impact and appropriateness of a specified deadline for filing executive compensation disclosure.

3. Do you think that a prospectus should always include BAR-level disclosure about a propose acquisition if

- ***it is significant in the 40% to 100% range; and***
- ***any proceeds of the prospectus offering will be used to finance the proposed acquisition?***

Why or why not?

Yes. Please see our response to question 6 below.

4. Do you think that an information circular should always include BAR-level disclosure about a propose acquisition if

- ***it is significant in the 40% to 100% range; and***
- ***the matter to be voted on is the proposed acquisition?***

Why or why not?

Yes. Please see our response to question 6 below.

5. Do you think we should require BAR-level disclosure in a prospectus where

- ***financing has been provided (by a vendor or third party) in respect of a recently completed acquisition significant in the 40% to 100% range; and***
- ***any proceeds of the offering are allocated to the repayment of the financing.***

Why or why not?

Yes. Please see our response to question 6 below.

6. If we were to require BAR-level disclosure in situations outlined above in questions 3, 4 and 5, the significance threshold for prospectus and information circular disclosure will not be harmonized with the threshold for continuous disclosure. Is this a problem?

The Exchange is supportive of the CSA's proposal to increase the significance threshold for BARs from 40% to 100% for venture issuers (thereby reducing the instances where BARs are required). The Exchange, however, does not object to the significance threshold for prospectus and information circular disclosure remaining at 40% in the circumstances described in questions 3, 4 and 5 above and therefore not being harmonized with the threshold for continuous disclosure.

On a related note and of specific relevance to the Exchange are the financial statement requirements applicable to a private issuer (a "**Privco**") that indirectly lists on the Exchange by way of a Reverse Takeover, Change of Business or Qualifying Transaction (as such terms are defined in the Exchange's Corporate Finance Manual) with an existing Exchange-listed issuer (a "**Pubco**"). The Exchange considers it necessary for the applicable disclosure document filed in connection with such listing transactions (whether a prospectus, information circular or filing statement) to contain the financial statements of the Privco that would be required in an initial public offering prospectus for the Privco (if it were to file one). Given that it is possible for such indirect listing transactions to fall below the 100% significance threshold or not otherwise constitute a restructuring transaction (as defined in NI 51-102) for the Pubco (and therefore not trigger financial statement requirements for the Privco), the Exchange is concerned that if the CSA increases the significance threshold for prospectus disclosure from 40% to 100% there may be a material discrepancy between the financial statement requirements applicable to a Privco in a direct listing scenario as compared to an indirect listing scenario. Specifically, the Privco could potentially be in compliance with the prospectus-level disclosure requirement in both circumstances despite not having to provide financial statements in the latter. Within the context of Privco's indirectly listing on the Exchange, this discrepancy would be mitigated by the Exchange's prescribed financial statement requirements for Reverse Takeovers, Changes of Business and Qualifying Transactions, however, in the absence of these Exchange requirements, an increase in the significance threshold for prospectus disclosure from 40% to 100% may result in situations where a Privco can indirectly become a reporting issuer without having to provide any financial statements.

8. Do you think we should provide exceptions from our proposed audit committee composition requirements for venture issuers similar to the exceptions in sections 3.2 to 3.9 of NI 52-110? If so, which exceptions do you think are appropriate?

The Exchange is supportive of the CSA's proposal to impose independence requirements on the audit committees of venture issuers. In terms of exceptions to these independence requirements, as the independence requirements are materially different and less onerous than the independence requirements applicable to non-venture issuers, it may not be necessary to offer venture issuers all of the same exceptions that are available to non-venture issuers in Part 3 of NI 52-110. That being said, it would appear reasonable for the exceptions set forth in sections 3.4 (Events Outside Control of Member) and 3.5 (Death, Disability or Resignation of a Member) to apply to venture issuers (whether in their current form or in a modified form specific to venture issuers).

On a related note, although the CSA proposal includes implementing certain audit committee independence requirements for venture issuers, it does not include a financial literacy requirement. The Exchange recommends that NI 52-110 require that at least one member of a venture issuer's audit committee be financially literate (having the same meaning as set forth in section 1.6 of NI 52-110). This would be a prudent means of helping ensure that a venture issuer's audit committee has the necessary knowledge and expertise to read and understand a set of financial statements.

Thank you for the opportunity to provide our comments and feedback on this CSA initiative. If you require any clarification of our comments and feedback, please do not hesitate to contact the undersigned at your convenience.

Regards,

TSX VENTURE EXCHANGE INC.

Per: (signed) *"Zafar Khan"*

Zafar Khan
Policy Counsel