December 19, 2019

Addressed to:
British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers (Québec)
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

Delivered to:
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Corporate Secretary and Executive Director, Legal Affairs
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RE: CSA Notice and Request for Comment - Proposed Amendments to National Instrument 51-102 *Continuous Disclosure Obligations* and Changes to Certain Policies Related to the Business Acquisition Report Requirements

We appreciate the opportunity to share our views and provide input on the areas included in the Canadian Securities Administrators (CSA) *Proposed Amendments to National Instrument 51-102 Continuous Disclosure Obligations and Changes to Certain Policies Related to the Business Acquisition Report Requirements*.

We commend the CSA for re-examining the business acquisition report (BAR) requirements as part of continued efforts to reduce the regulatory burden faced by non-investment fund reporting issuers. Our

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specific observations and recommendations are based on our experiences in working with Canadian regulatory reporting requirements as independent auditors.

We support the proposals to increase the significance test threshold for reporting issuers that are not venture issuers from 20% to 30%, and amending the significance test requirements to require two tests to be met for the acquisition to be considered significant. We have observed that the current tests require a BAR filing for a number of acquisitions that are not significant to a reporting issuer's operations, but that are caught by the current significance tests due to anomalous facts and circumstances, for example, when net income of the acquirer is impacted by significant swings in fair value movements that are not representative of the underlying operations of the entity. We see this occurring in real estate entities and in issuers where the significant investments are carried at fair value. We believe that these changes will reduce the regulatory burden of either filing a BAR or applying for exemptive relief in these circumstances.

We have also observed with interest the recent proposals issued by the Securities and Exchange Commission (the "SEC") relating to their proposed *Amendments to Financial Disclosures about Acquired and Disposed Businesses,* and noted the SEC's proposal to add a revenue component to the Income Test. We view revenue as an important indicator of the operations of a business and may have less variability than net income, therefore potentially providing a more reliable measure of significance. We believe the addition of an optional revenue component (in addition to the test based on net income) may be useful for assessing significance, particularly when the net income test is not a faithful representation of the acquiree's operations and overall significance to the reporting issuer.

Other matters

We believe that generally pro forma financial information provides useful information for investors in evaluating the impact of recent or probable acquisition(s) in a prospectus, particularly when combined with other capital transactions such as a refinancing or capital financing that is the primary reason for the prospectus filing. However, we believe that the pro forma financial information required by National instrument 51-102 is of very limited use for investment entities that, under IFRS, are required to measure all their investments in subsidiaries at fair value, even when a prospectus or other offering document is being filed. We encourage the CSA to consider whether exempting investments entities from the requirement to provide pro forma financial statements would be a way to reduce the regulatory burden for such reporting issuers in a manner that does not diminish the utility of information available to investors.

Additionally, in our view, pro forma information required only for BAR purposes has significantly less value as the acquisition may already have been reported in the next set of financial statements by the time the BAR is filed or would be reported shortly thereafter. Under IFRS 3, financial statements include disclosure of the acquisition date fair value of consideration as well as the amounts recognized for each major class of assets acquired and liabilities assumed. In addition, disclosure of the amount of revenue and profit or loss of the acquiree since the acquisition date, and the revenue and profit or loss of the combined entity for the entire current period as if the acquisition had been at the beginning of the annual period, is also required. This provides investors with information about the impact of the acquisition on a timely basis, and in the context of the financial statements (and associated level of assurance) of the issuer.

We also encourage the CSA to monitor the progress of the IASB project on Goodwill and Impairment. As part of this project, the IASB is considering better disclosures for business combinations that would be included in financial statements prepared under IFRS. We believe that if the IASB further enhances the required disclosures regarding the performance of an acquisition in the post-acquisition period in the financial statements, this will further diminish the informational value of pro forma financial information in a BAR.

We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions that the CSA staff of the Commissions may have. Please do not hesitate to contact Lucy Durocher (lucy.durocher@pwc.com or 416-869-2311) or Michael Walke (michael.walke@pwc.com or 416-815-5011) regarding our submission.

Sincerely,

PricewaterhouseCoopers LLP

Chartered Professional Accountants