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Continuous Disclosure Obligations

Corporate Finance Branch

October 17, 2012

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Presentation Outline[1]

[1] This presentation deals with obligations applicable to public companies other than investment funds. This presentation will not be dealing with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* or National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*. An OSC SME seminar on National Instrument 43-101 will be held on November 6, 2012.

Welcome and Introduction to the OSC SME Institute

OSC SME Institute – Objectives

Our goal is to:

- Help SMEs navigate the regulatory waters
- Demystify disclosure requirements so companies can focus on building their business
- Reduce SMEs' cost of compliance so that this money can be better spent on strategic initiatives
- Provide an opportunity for informal dialogue with OSC staff

Disclosure requirements, including those for financial reporting, are a cornerstone of investor confidence

Regulatory Landscape in Canada

Securities Regulatory Authorities

- In Canada, securities regulation is a provincial and territorial responsibility
- Each jurisdiction of Canada has its own Securities Act and securities regulatory authority (e.g., Ontario Securities Commission)
- The securities regulatory authorities are members of the Canadian Securities Administrators (CSA)
- CSA assists in coordinating what securities regulatory authorities do

A company deals primarily with its "principal regulator" (usually the jurisdiction in which the company's head office is located)

Securities Regulatory Authorities (cont'd)

- Rules adopted by all jurisdictions are called "national instruments"
  - National instruments have forms (national instruments and forms have the force of law)
  - National instruments also have companion policies (which provide guidance on how the national instrument should be interpreted, but do not have the force of law)
- Copies of national instruments, forms and companion policies that apply in Ontario are available on the OSC website at www.osc.gov.on.ca

OSC Corporate Finance Branch

- Branch of OSC that administers rules applicable to public companies and their insiders
- Oversight of capital raising in the exempt market
- Disclosure of material information that investors and other market participants need to make informed investment decisions
- Continuous disclosure filings and prospectuses
- Applications for exemptive relief from legislative requirements
- Matters relating to reports of exempt distributions, insider reports, early warning reports and take-over bids

Continuous Disclosure Obligations

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Purpose of Continuous Disclosure

- In order to make an investment decision on whether to buy or sell securities in a company, investors (and their advisors) need continuous disclosure including:
  - Financial statements
  - Management's discussion & analysis
  - Other key disclosures
    - Timely disclosure (e.g., immediate disclosure of a material change)
    - Event-based disclosure (e.g., disclosure of a significant acquisition)

For more information, see the list of applicable legislation for continuous disclosure obligations in Appendix A

Purpose of Continuous Disclosure

Continuous disclosure rules help:

- Provide a level playing field for all companies
- Foster confidence in capital markets
- Protect investors from unfair practices (e.g., selective disclosure and unlawful insider trading and tipping)

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Continuous Disclosure Obligations

Venture vs. non-venture

- Certain requirements are different for venture issuers as we recognize the different resources and circumstances of venture issuers
- "Venture issuer" is a company that does not have any of its securities listed or quoted on any of:
  - Toronto Stock Exchange (TSX)
  - a U.S. marketplace
  - a marketplace outside of Canada and U.S., other than
    - Alternative Investment Market of London Stock Exchange
    - PLUS markets operated by PLUS Markets Group plc

For more information, see:

- *Definition of "venture issuer" in subsection 1.1(1) of National Instrument 51-102*
- *CSA Staff Notice 51-311, Part A*
- *Appendix B for a chart of key differences*

Continuous Disclosure Deficiencies

Common filing deficiencies

- Not filing documents on time
- Not being aware of filing requirement
- Not having required content in documents filed

Financial Statements

Annual Financial Statements

Companies must file annual financial statements

- Comparative financial information[1]
- Prepared in accordance with acceptable accounting principles[2]
- Audited
- Reviewed/approved by company's audit committee/board of directors before filing[3]

Filing deadlines[1]

- Non venture company – 90 days after year end
- Venture company – 120 days after year end

For more information, see:
[1] National Instrument 51-102, sections 4.1 and 4.2
[2] National Instrument 52-107, section 3.2, 3.3 and 3.4
[3] National Instrument 52-110, subsection 2.3(5) and National Instrument 51-102, section 4.5
Appendix C for a chart of filing due dates

Interim Financial Reports

Companies must file interim financial reports

- Comparative financial information
- Prepared in accordance with acceptable accounting principles
- If not reviewed by auditor, must include notice so indicating
- If reviewed by auditor, must include notice if:
  - auditor was unable to complete the review (disclose reasons why)
  - auditor expressed a reservation of opinion (disclose review report from auditor)
- Reviewed/approved by company’s audit committee/board of directors before filing

Filing deadlines[1]

- Non venture company – 45 days after interim period
- Venture company – 60 days after interim period

For more information, see:
[1] *National Instrument 51-102, section 4.3 and 4.4*

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Financial Statement Observations

Financial Statements (Annual and Interim)	Interim Financial Reports	MD&A
• Going Concern • Impairment of Assets • Revenue Recognition	• Statement of Changes in Equity • Note to Reader	• Discussion of Operations • Liquidity and Capital Resources • Risks and Uncertainties • Forward-Looking Information • Transactions between Related Parties • Non-GAAP Financial Measures

Going Concern

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Going Concern

Observations

Financial fundamentals, such as a working capital deficiency, an excessive cash burn rate and milestone challenges, suggest liquidity concerns that may cast doubt on the company's ability to continue operations, however a going concern note is absent

Why Important

A going concern note provides warnings about the significant risks being faced by the company and identifies concerns regarding its future viability, both of which will ultimately impact investment decisions

Management needs to assess the company's ability to continue as a going concern for at least 12 months from the end of the reporting period

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Going Concern
Example of Boilerplate Disclosure

Unclear if this is meant to highlight a material uncertainty

The company is considered to be in the development stage and is currently exploring mineral properties in Central America. While these financial statements have been prepared on a going concern basis, the company continues to remain dependent on its ability to obtain sufficient funding to sustain operations and complete its current exploration projects.

While the company has been successful in raising financing in the past, there can be no assurance that it will be able to do so in the future.

Missing clear disclosures of material uncertainties that cast significant doubt

If the going concern assumption was not appropriate, then adjustments might be necessary to the financial statements.

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Going Concern
Example of Entity-Specific Disclosure

The company is considered to be in the development stage and is currently exploring mineral properties in Central America. The financial statements were prepared on a going concern basis. The going concern basis assumes that the company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Specific disclosure of the material uncertainties that cast significant doubt

During the year ended December 31, 2011, the company had a net loss of $2 million, negative cash flow from operations of $800,000, and positive working capital of $3.2 million. The positive working capital balance was mainly due to having a cash balance of $5.5 million. Given the company maintained positive working capital, it believes that it will have sufficient capital to operate over the next 12 months, however additional funding will be necessary to complete its bulk sampling program by the 14 month requirement date.

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Going Concern
Example of Entity-Specific Disclosure (cont'd)

Explicit link between disclosed uncertainties and ability to continue as going concern

Historically the company has had operating losses, negative cash flows from operations, and working capital deficiencies. Whether, and when, the company can attain profitability and positive cash flows from operations is uncertain. The company is also uncertain whether it can obtain financing to complete clinical trials for Wonder Drug. These uncertainties cast significant doubt upon the company's ability to continue as a going concern.

The company will need to raise capital in order to fund its operations. This need may be adversely impacted by: uncertain market conditions, approval by regulatory bodies, and adverse results from clinical trials. To address its financing requirements, the company will seek financing through debt and equity financings, asset sales, and rights offerings to existing shareholders. The outcome of these matters cannot be predicted at this time.

Impairment of Assets

Impairment of Assets

Observations

Companies are not writing down assets to reflect a decline in value even though indicators of impairment are present

Why Important

Assessing for indicators of impairment and performing impairment tests ensures that assets are not overstated

Companies must assess for indicators of impairment at the end of each quarter

Impairment of Assets
Examples of Potential Indicators

- Scenarios that would likely be an indicator of impairment:
  - Company decision to no longer market a product due to the company's release of an upgraded product
  - Slower than anticipated customer subscriptions to a new software platform offered by the company
  - Introduction of competing product in the market
  - Declining sales per square footage

Revenue Recognition

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Revenue Recognition

Observations

Revenue recognition policies are generally boilerplate and it is difficult to know how revenue is recognized for each major product or service

Why Important

Revenue is generally a key consideration for investors to assess the company's future prospects and stock value

Revenue must be earned, measurable and collectible to be recognized

Revenue Recognition
Example of Boilerplate Disclosure

Unclear what products are sold

Unclear how key criteria is met

Revenue is recognized upon delivery when the selling price is fixed, costs can be measured reliably and collection is reasonably assured.

Revenue Recognition
Example of Entity-Specific Disclosure

Revenue streams

The company generates revenue from the sale of:

I. Product merchandise to retail customers; and
II. Manufacture of widgets to third party distributors

First product policy

Earned

Collectible

Measurable

Product Merchandise

The company generates revenue from the sale of product merchandise to retail customers. The company has a 30-day return policy for merchandise. Sales revenue and related cost of sales is recognized by the retail stores at the point of sale net of expected returns when the merchandise is paid for by the customer. At the point of sale, the company has transferred the significant risks and rewards of ownership to the customer, retains no effective control over the product merchandise and it is probable that the economic benefits associated with the transaction will flow to the company as the customer has taken possession and paid for the product merchandise. The amount of revenue can be measured reliably at the point of sale as the sales price of the product merchandise is fixed and returns are estimated based on historical returns as a percentage of sales revenue.

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Revenue Recognition
Example of Entity-Specific Disclosure (cont'd)

Second product policy

Earned

Measurable

Collectible

Widgets

The company also generates revenue from the manufacture of widgets which are sold to third party distributors. The distributors then process the widget for final sale to retail consumers. Sales revenue from the sale of widgets is recognized when the products are delivered to the distributors, which occurs upon shipment and receipt at the distributors' locations. Upon receipt by the distributor, the company has transferred the significant risks and rewards of ownership of the widgets as legal title of the widgets has transferred and the company retains no continuing managerial involvement nor effective control over the widgets. The amount of revenue can be measured reliably as the price at which the widgets are sold is fixed per the contract. Widgets are paid in full and sales terms do not provide for a right of return.

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Financial Statement Observations

Financial Statements (Annual and Interim)	Interim Financial Reports	MD&A
• Going Concern • Impairment of Assets • Revenue Recognition	• Statement of Changes in Equity • Note to Reader	• Discussion of Operations • Liquidity and Capital Resources • Risks and Uncertainties • Forward-Looking Information • Transactions between Related Parties • Non-GAAP Financial Measures

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Statement of Changes in Equity

Observations

Interim financial reports do not include the statement of changes in equity, or they include the incorrect comparative period for the statement of changes in equity

Why Important

A statement must be provided in order to comply with the requirements of IFRS and must include all components of equity, and a comparative statement must be for the same period of time to be useful to users of the financial report

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Note to Reader

Observations

Interim financial reports do not include note to reader indicating no auditor review

Why Important

Note to reader alerts investors that the auditor did not complete a review of the interim financial statement and users of financial statements are able to determine the amount of reliance they may place on the interim financial report

See Appendix D for further details

Management's Discussion & Analysis (MD&A)

Management's Discussion & Analysis (MD&A)

Purpose: Narrative explanation of the company's business through the eyes of management

- Provides a balanced discussion of company's results, financial condition and future prospects – openly reporting bad news as well as good news
- Helps current and prospective investors understand what the financial statements show and do not show
- Discusses trends and risks that have affected or are reasonably likely to affect the financial statements in the future
- Provides information about the quality and potential variability of company's earnings and cash flow

The MD&A should complement and supplement the company's financial statements

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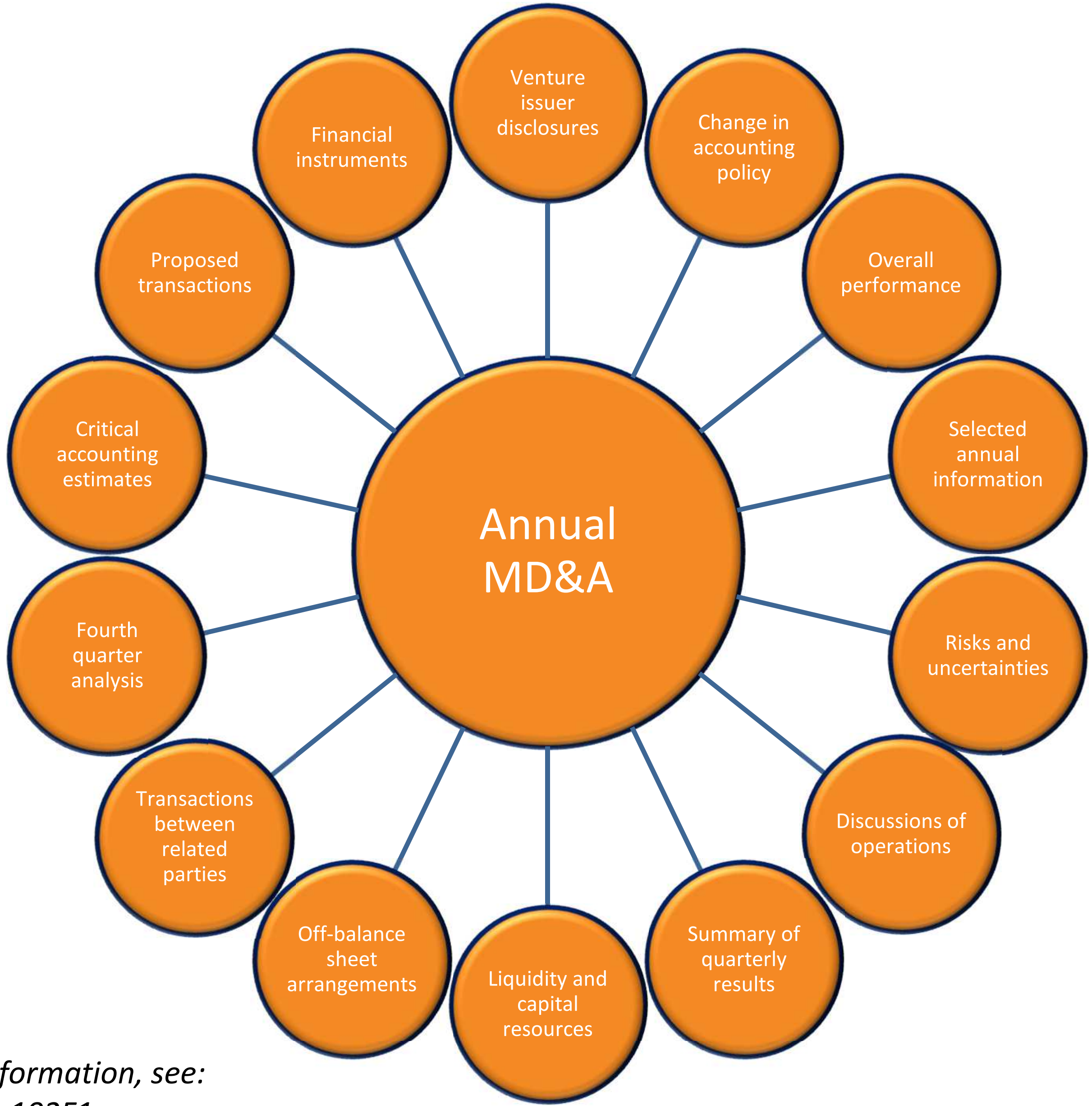
Annual MD&A



For more information, see:

- *Form 51-102F1*

Annual MD&A (cont'd)

- Companies must file MD&A relating to their annual financial statements and interim financial reports
  - Reviewed/approved by company's audit committee/board of directors before filing

Interim MD&A

- Interim management's discussion & analysis must generally update annual MD&A
- Filing deadlines
  - Same time as applicable financial statements

For more information, see:

- *National Instrument 51-102, Part 5*
- *Form 51-102F1*
- *National Instrument 52-110, subsection 2.3(5)*

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MD&A Observations

Financial Statements (Annual and Interim)	Interim Financial Reports	MD&A
• Going Concern • Impairment of Assets • Revenue recognition	• Statement of Changes in Equity • Note to Reader	• Discussion of Operations • Liquidity and Capital Resources • Risks and Uncertainties • Forward-Looking Information • Transactions between Related Parties • Non-GAAP Financial Measures

Discussion of Operations

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Discussion of Operations

Observations

Discussion of operations is boilerplate and does not provide entity-specific disclosure about changes in revenues and cost of sales

Why Important

Investors require meaningful discussion of operations so that they can better understand the reasons why there have been changes

Provide analysis of operations by discussing why revenues and costs have changed

Discussion of Operations
Example of Boilerplate Disclosure

Repetition from financial statements

No discussion of variances

Revenue increased from $900,000 to $1,080,000, a 20% increase. Gross profit increased from $400,000 to $408,000, a 2% increase.

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Discussion of Operations
Example of Entity-Specific Disclosure

Discussion of variances

Quantification of factors

Relationship with gross profit

Revenue increased from $900,000 to $1,080,000, a 20% increase. Gross profit increased from $400,000 to $408,000, a 2% increase. Three factors caused revenue to increase by $180,000:

- increased sales volume of Product X-$60,000;
- decreased unit price of Product X-($30,000); and
- the introduction of a new product during the fourth quarter, Product Y-$150,000.

In late 2011, we anticipated new competition entering our market, so we discounted our remaining Product X units to encourage their sale and to allow us to focus on its replacement, Product Y. Discounts on Product X caused the reduced gross profit percentage. We expect to continue discounting Product X in the first quarter, but expect our gross profit to improve as Product Y replaces Product X.

Liquidity and Capital Resources

Liquidity and Capital Resources

Observations

A meaningful analysis of the company's ability to generate sufficient cash, address its working capital requirements and its ability to access financing to meet its committed expenditures is not always provided

Why Important

Investors need to clearly understand any anticipated funding shortfalls and financing resources available to meet a company`s operating needs, obligations and fund any future planned growth

Companies should explain their current liquidity position and how they will fund upcoming operating commitments and other obligations

Liquidity and Capital Resources Example of Boilerplate Disclosure

- Identifies working capital deficiency
- No explanation of how deficiency will be remedied
- No explanation of how will meet obligations

As at year-end, the company had cash of $100,000 and accounts receivable of $50,000. Current assets amounted to $150,000 with current liabilities of $400,000 resulting in a working capital deficit of $250,000. The company believes that it has sufficient capital on hand to satisfy working capital requirements for the next 12 months.

Liquidity and Capital Resources
Example of Entity-Specific Disclosure

Ability to generate cash

Working capital requirements

As at year-end, the company had cash of $100,000 and accounts receivable of $50,000. Current assets amounted to $150,000 with current liabilities of $400,000 resulting in a working capital deficit of $250,000. Working capital was impacted by the slowdown in operations experienced in Q3 and Q4 as a result of the labour stoppage in our Calgary plant, which resulted in insufficient inventory levels of Product Z to meet orders. Since the labour agreement was renegotiated in December, subsequent to year end operations have resumed to prior period levels. The company's working capital requirements for the next 12 months are estimated to be $300,000.

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Liquidity and Capital Resources
Example of Entity-Specific Disclosure (cont'd)

Expected sources of funds

Subsequent to year end:

- January 2012 - the company negotiated a credit facility with Lender ABC for an amount up to $300,000.
- February 2012 - the company received a significant order from Customer DEF for the purchase of 50,000 units of Product Z to be delivered in stages by the end of fiscal 2012.

Ability to meet working capital obligations

As Calgary operations have been resumed and with the receipt of this significant order, the company believes it will have sufficient funds to meet current and future working capital requirements. In addition, the company will also have funds available through the credit facility.

Capex requirements

Expected sources of funds

We estimate that the company will need $500,000 over the next two years to invest in machinery to produce Product X. The company plans to raise additional financing through a share issuance in fiscal 2013 in order to fund this project. The company will not proceed with this project until sufficient funds are raised to fund it.

Risks and Uncertainties

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Risks and Uncertainties

Observations

Disclosure of risks and uncertainties is often boilerplate in nature and the potential impact of how the risks may affect the company is rarely disclosed

Why Important

Investors need to understand the entity-specific risks and how those risks may impact the company and its business, both of which may affect an investment decision or the value of their investment should the risks be realized

Throughout each section of the MD&A, companies should disclose risks and uncertainties that are material and entity-specific

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Risk and Uncertainties
Example of Boilerplate Disclosure

General and not specific to company

Potential impact is not disclosed

Competition Risk

Our industry is very competitive. We face significant competition from other software companies in all aspects of our business. Our competitors are larger in size, well established, international in scope and have significant financial resources. We continue to actively monitor the activities of our competitors with a view to ensuring that we will be able to effectively compete in the marketplace and attract new customers.

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Risk and Uncertainties
Example of Entity-Specific Disclosure

Competition risk

Entity-specific

Potential impact

Risk management

We face significant competition from other manufacturers in Canada and Country ABC. Our competitors include Company Calao and Company Lagos. These competitors are well established, international in scope and have significant financial resources that permit them to develop new products, modify existing products, use proprietary software and market products on a global basis. Competition is based mainly on price, quality of product and efficiency of production. The increased competition may affect our sales, cash flow and financial condition. To mitigate competition risk, our strategies include creating long-term value for our customers and implementing efficient processes to manufacture our main product TopProgram.

Transactions Between Related Parties

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Transactions Between Related Parties

Observations

The business purpose and economic substance of related party transactions (RPTs) is sometimes not disclosed

Why Important

By virtue of their nature, related party transactions lack the independence inherent in arm's length transactions. Investors need to understand the business purpose and economic substance of RPTs, so they can understand the rationale for transactions and impact on the business

Companies should clearly discuss ALL related party transactions, including the identity of the parties and their relationship to the company, as well as the business purpose and economic substance of each transaction

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Transactions between Related Parties Example of Boilerplate Disclosure

Lacks detail on the transaction and the identity of the related party

During the year, the company paid $300,000 to a director for consulting services and interest on a loan.

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Transactions between Related Parties
Example of Entity-Specific Disclosure

Relationship/ identity → During the year, the company paid $300,000 to Steven Jones, a director who is a geologist.

Business purpose and amount → The company paid $20,000 to Mr. Jones for the use of office space he provided, and $80,000 for his geological services in connection with Phase 1 of the exploration program on the ABC option.

Measurement basis used → The office space and geological services, which were both provided in the normal course of operations at rates comparable to what would have been paid to unrelated parties, were measured at the exchange amount.

Business purpose and amount → The company also paid Mr. Jones $200,000 in interest on a loan he provided in the principal amount of $2,000,000. The unsecured loan bears interest at 10% per annum, and matures in five years with an option by the company to extinguish the debt at any time without penalty. The company entered into this related party transaction because alternate sources of financing were unavailable due to the company's limited operating history, lack of collateral and limited access to public financing due to current market conditions.

Forward-Looking Information

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Forward-Looking Information

Observations

Companies that choose to disclose forward-looking information (FLI) fail to label it as such. They provide non-entity specific disclosure of assumptions and do not update previously disclosed FLI

Why Important

FLI allows investors to see how well the company has forecasted results and how it is progressing towards the achievement of these results

If a company chooses to provide FLI, it should provide information that allows readers to understand the company's future prospects. This information should be updated on a timely basis

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Forward-Looking Information (cont'd)

- Must be reasonable basis for all FLI disclosed
- Material FLI must include disclosure that:
  - identifies it as FLI
  - cautions users that actual results may vary from FLI and identifies risk factors that could cause results to vary
  - states assumptions used to develop FLI
  - describes company's policy for updating FLI
  - is limited to a reasonable period

For more information, see:

- *National Instrument 51-102, Part 4A*
- *Appendix E*

Forward-Looking Information
Example of Boilerplate Disclosure

FLI not identified

No assumptions provided

In fiscal 2012, the Company anticipates meeting the following targets:

- Total revenues expected to be between $15 - $20 million
- Introduce new high margin product
- Cash EPS expected to be between $0.25 - $0.35
- Adjusted Cash Flow from Operations > $12 million

Forward-Looking Information
Example of Entity-Specific Disclosure

Identification of FLI

Assumptions

The following represents forward-looking information and users are cautioned that actual results may vary. In fiscal 2012, the company expects total sales to increase by 5.0% to 6.0%. This expectation is based on the introduction of our new product AmazeInvention. It is expected that AmazeInvention will contribute to the increase in sales and will be offset by increased competition from other firms and the retirement of legacy products. Key performance indicator for the company includes pre-orders of 3 million units. As discussed under risk factors, new products developed by other firms may erode or reduce expected sales.

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Forward-Looking Information
Example of Updating Previously Disclosed FLI

2011 objectives	Accomplishments in 2011
Sales growth of 3-4%	Sales growth of 10.5% The increase in sales growth achieved during fiscal 2011 was due to the introduction of product XX in Q4 which resulted in a growth of 6% of sales, reduction of the selling price of product Y which resulted in the increase in sales volume of 75%.
Litigation expenditure $12-13 million	Litigation expenditure of $20 million. Spending was $7-8 million higher than originally anticipated due to outstanding matters with Litigus Co. The suit alleges that the company infringed on various patents owned by Litigus Co. as disclosed in Discussion of Operations.

Non-GAAP Financial Measures

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Non-GAAP Financial Measures

Observations

Many companies disclose non-GAAP financial measures, such as EBITDA, however they often do not explain why these measures provide useful information to investors. As well, these measures are not always reconciled to the most directly comparable GAAP measure.

Why Important

Since non-GAAP financial measures do not form part of IFRS and as such do not have a standardized meaning or calculation, it is critical that companies explain the composition of the measure and its relevance so that investors and analysts are fully informed

When providing non-GAAP financial information, companies have an obligation not to mislead investors or obscure the company's GAAP results

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For more information, see:

- *CSA Staff Notice 52-306*

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Non-GAAP Financial Measures
Example of Boilerplate Disclosure

- No explanation of why useful
- No reconciliation provided
- Standardized language missing

Our operating income before specific items rose 31%, reaching a new peak of $101 million.

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Non-GAAP Financial Measures
Example of Entity-Specific Disclosure

Our profit for the fiscal year was $50 million compared to $31 million in the previous fiscal year. Operating income before specific items (OIBI) rose 31%, reaching a new peak of $101 million. OIBI of the previous fiscal year was $77 million.

Highlights that there is no standardized meaning

OIBI is a non-GAAP measure and is mainly derived from the consolidated financial statements but does not have any standardized meaning prescribed by IFRS. Therefore it is unlikely to be comparable to similar measures presented by other companies.

Why useful

OIBI is used by management to evaluate the performance of its operations based on a comparable basis which excludes specific items that are non-recurring. When a specific item occurs in more than two consecutive fiscal years, it is no longer considered to be non-recurring by management.

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Non-GAAP Financial Measures
Example of Entity-Specific Disclosure (cont'd)

Why useful

We believe that a significant number of users of our MD&A analyze our results based on OIBI since it is a yearly comparable measure of the performance of the Company.

Presented with equal prominence to IFRS

Reconciliation of OIBI to profit in thousands of dollars:

Quantitative reconciliation

OIBI	$101	$77
Restructuring of distribution network	($6)	$0
Relocation of production	$0	($9)
Gross income as per financial statements	$95	$68
Sales and administrative expenses.	$23	$19
Financial expenses	$12	$9
Tax expenses	$10	$9
Net income as per financial statements	$50	$31

Other Key Disclosure

Other Key Disclosures

- CEO and CFO Certificates
- Annual Information Form
- Information Circular
- Corporate Governance
- Audit Committee
- Material Change Reporting

CEO and CFO Certificates

CEO and CFO Certificates

Purpose: improve the quality, reliability and transparency of annual filings, interim filings and other materials that companies file

Key definitions

- **DC&P** – disclosure controls and procedures
- **ICFR** – internal control over financial reporting

Certification requirements

- Each certifying officer, usually CEO and CFO, must certify annual and interim filings
- CEO and CFO certificates must be filed using proper form

For more information, see:
- *National Instrument 52-109*

CEO and CFO Certificates (cont'd)

Non-venture companies

- Each certifying officer certifies that:
  - they reviewed the applicable filings
  - applicable filings do not contain misrepresentations
  - applicable filings are fairly presented
- In addition, each certifying officer provides representations relating to the establishment and maintenance of DC&P and ICFR
- Must provide disclosure in the MD&A of any material weakness

For more information, see:

- *Form 52-109F1*
- *Form 52-109F2*

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CEO and CFO Certificates (cont'd)

Venture companies

- Each certifying officer certifies that:
  - they reviewed the applicable filings
  - applicable filings do not contain misrepresentations
  - applicable filings are fairly presented
- In contrast to non-venture companies, certificates of venture companies do not provide representations relating to the establishment and maintenance of DC&P and ICFR
- Certificate contains a note to reader to highlight this fact

For more information, see:

- Form 52-109FV1
- Form 52-109FV2

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CEO and CFO Certificates (cont'd)

Other certificates

- Other CEO and CFO certificates required for:
  - Annual filings/interim filings following initial public offering, reverse takeover or becoming a non-venture company
  - Re-filed annual filings/interim filings
  - Annual filings in connection with voluntarily filed annual information form

Filing deadlines

- Same time as applicable annual filings or interim filings
- Certificates need to be dated the same date as when they are filed

For more information, see:

- *National Instrument 52-109 and Companion Policy 52-109CP*

Common Deficiencies – Certification

Type	Common Deficiency
Basic Certificate	Venture company filing a basic certificate discusses DC&P and ICFR in their annual MD&A but did not include cautionary language
Full Certificate	Non-venture company did not include disclosure in the MD&A when a material weakness existed
All Certificates	Certificate dated incorrectly ▪ Must be dated same date as filed and not before date of related financial statements

For more information, see:

- *CSA Staff Notice 52-327*

Basic Certificate
Example of Deficient Disclosure in MD&A

- No requirement to conclude
- Conclusion can't be qualified
- Note to reader not included

The CEO and CFO have established DC&P and ICFR and concluded they are effective except for weaknesses relating to segregation of duties

Basic Certificate
Example of Compliant Disclosure in MD&A

No conclusion

The CEO and CFO have established DC&P and ICFR as appropriate for the size of our business and have identified weaknesses relating to segregation of duties.

Cautionary language

As a venture issuer, the Company is not required to certify the design and evaluation of DC&P and ICFR and we have not completed such an evaluation. Inherent limitations of the CEO and CFO's ability to design and implement on a cost effective basis DC&P and ICFR for the Company may result in additional risks to the quality, reliability, transparency and timeliness of these filings.

Full Certification
Example of Deficient Disclosure in MD&A

- Conclusion can't be qualified
- Disclosable weakness is unclear
- No conclusion on effectiveness of DC&P

The CEO and CFO have determined that as at December 31, 2011, the Company's ICFR was effective <u>except for</u> a disclosable material weakness with respect to segregation of duties

Full Certification
Example of Compliant Disclosure in MD&A

Conclusion on DC&P and ICFR

Based on an evaluation of the Company's DC&P and ICFR as at December 31, 2011, the CEO & CFO concluded that the Company's DC&P and ICFR were <u>ineffective.</u>

Impact

Certain duties within the accounting departments were not properly segregated due to the small number of individuals employed in this area. These material weaknesses may result in a more than remote likelihood that a material misstatement of the Company's financial statements would not be prevented or detected.

Remediation plan

To remediate these material weaknesses, management hired additional staff within the accounting department in Q1 of 2012

Annual Information Form

Annual Information Form (AIF)

Purpose: functions as a base disclosure document that describes your company, its operations and prospects, risks and other factors that impact your company

What is an AIF?

- Provides material information about company and its business in context of historical and possible future development
- Describes company and its operations, prospects, risks and other factors that impact its business
- Must be prepared in accordance with Form 51-102F2

AIF (cont'd)

Who must file an AIF?

- Non venture companies must file AIF every year, usually 90 days after year end
- Venture company may elect to file an AIF (needs to file an AIF in order to file a short form prospectus)

For more information, see:

- *National Instrument 51-102, Part 6 and Form 51-102F2*

AIF

For more information, see:

- *Form 51-102F2*

Information Circular

Information Circular

Purpose: to give shareholders adequate information to form a reasoned judgment on how to vote on matters to be dealt with at shareholders meeting (e.g., election of directors)

- Includes information on how to exercise proxy and provides details of matters to be voted on at shareholders meeting
- Must also include prospectus-level disclosure if shareholder approval is being sought in respect of certain transactions under which securities are to be changed, exchanged, issued or distributed

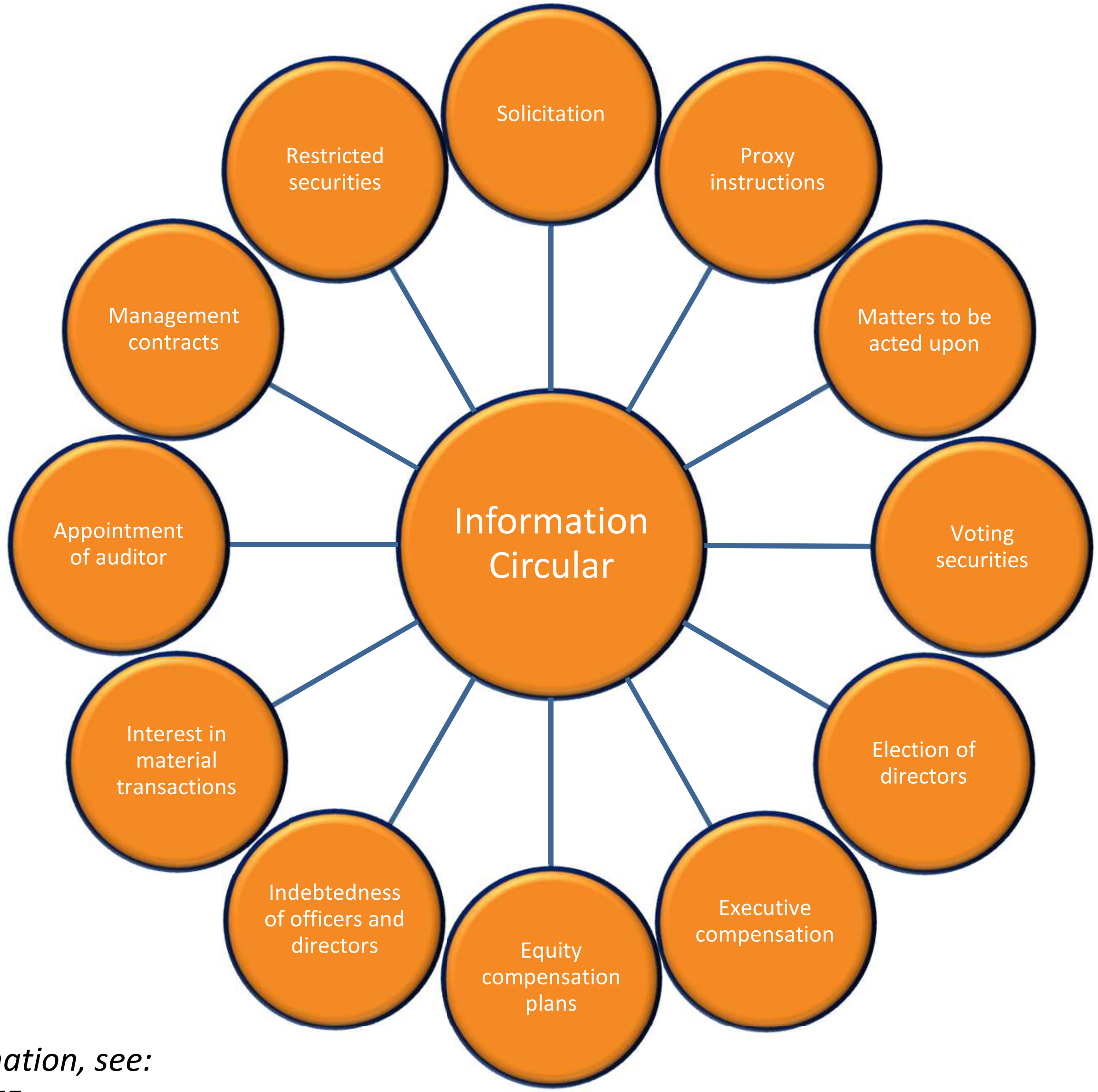
For more information, see:

- *Form 51-102F5*

Information Circular (cont'd)

- Who must file an information circular?
  - All companies are required to file an information circular prior to shareholder meetings (if soliciting proxies)
- When must it be filed?
  - Generally, an information circular must be mailed 21 days before the shareholder meeting and filed promptly thereafter

Information Circular



For more information, see:

- *Form 51-102F5*

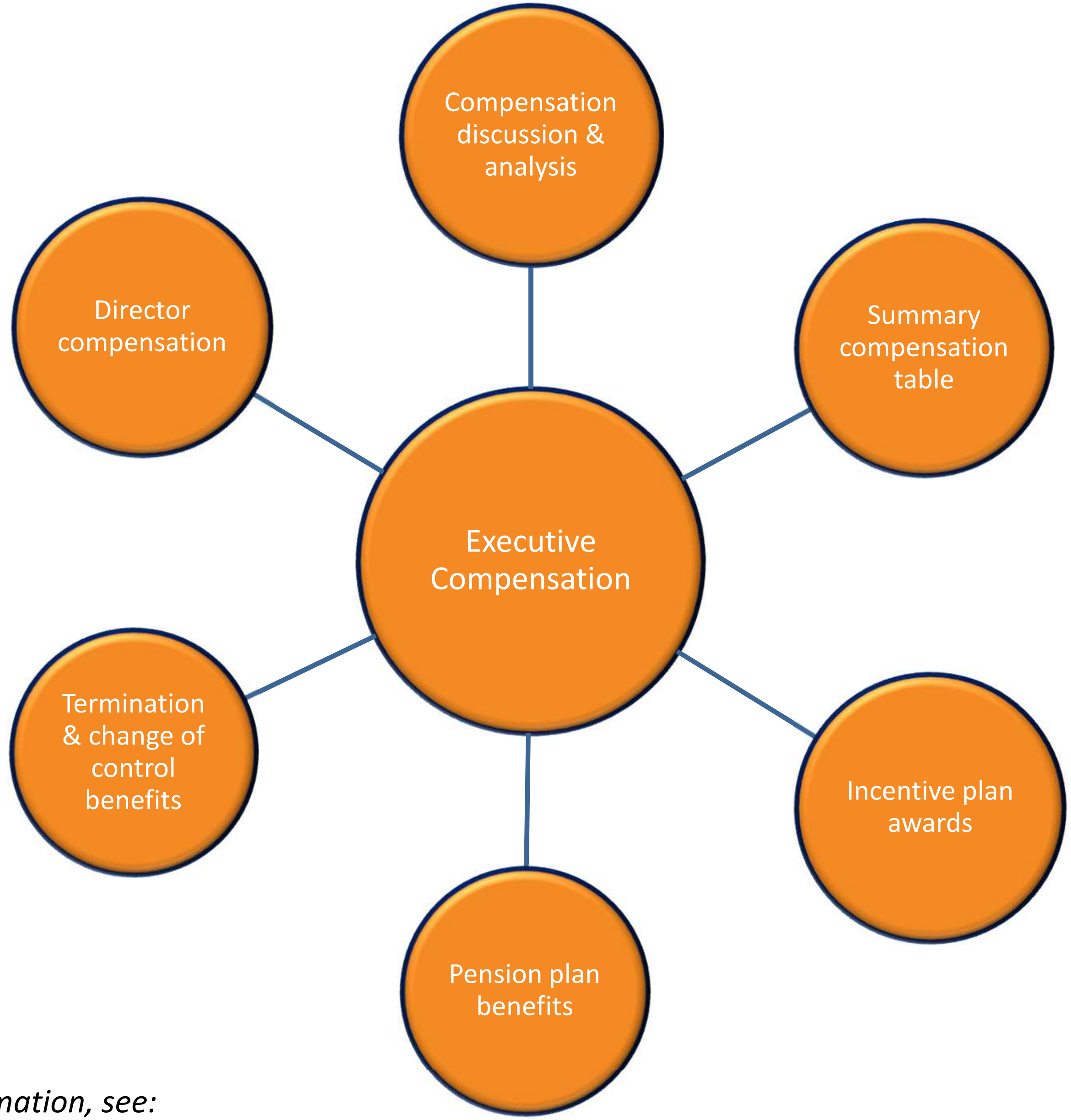
Executive Compensation Disclosure

Purpose: before shareholders are asked to re-elect directors at shareholders meeting, they should be provided with information on what directors paid to themselves and executive management

- Information circulars must generally include detailed disclosure about compensation paid to certain executive officers and directors

All companies must file executive compensation information

Executive Compensation



For more information, see:

- *Form 51-102F6*

Common Deficiencies – Executive Compensation

- Not disclosing performance goals or similar conditions along with the benchmark group used for specific levels of compensation
- Not providing information regarding the grant date fair value of share-based and option-based rewards
- Not quantifying the estimated benefits payable as a result of a termination or change of control
- Not including compensation information for an external management company performing the duties of a named executive officer

Improved disclosure should provide investors insight into executive compensation as a key aspect of the overall stewardship and governance of a company and allow investors to understand how boards of directors make decisions about executive compensation

For more information, see:
CSA Staff Notice 51-331

Corporate Governance Disclosure

Corporate Governance Disclosure

Purpose: investors should have information on the corporate governance practices of the board of directors

- Shareholders and potential investors require access to regular information in sufficient detail for them to assess the stewardship of the board and management.

For more information, see:

- *National Instrument 58-101, Part 2*
- *Form 58-101F1 for non-venture companies*
- *Form 58-101F2 for venture companies*

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Corporate Governance Disclosure (cont'd)

Non-venture companies (Form 58-101F1) Information on:	Venture companies (Form 58-101F2) More abbreviated information on:
Board of directors (e.g., which directors are independent, which directors are directors of other companies)	Board of directors
Board mandate	Not required
Position descriptions	Not required
Orientation and continuing education	Orientation and continuing education
Ethical business conduct	Ethical business conduct
Process for nomination of directors	Steps for nomination of directors
Process for determining compensation for directors and officers	Steps for determining compensation for directors and CEO
Board committees	Board committees
Assessments	Assessments

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Common Deficiencies – Corporate Governance Disclosure

Venture Issuers

- Lack of explanation and identification of how board exercises independent supervision of management

Non-Venture Issuers

- Lack of disclosure of process used for assessing board's effectiveness

For more information, see:

- *CSA Staff Notice 58-306*

Audit Committee

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Audit Committee

Purpose: Investors should have information on the audit committee and its practices

- A company must provide annual disclosure about its audit committee including:
  - Audit committee's charter
  - Composition of audit committee
  - Relevant education and experience
  - Audit committee oversight
  - Pre-approval policies and procedures
  - External auditor service fees (by category)
  - Any reliance on exemptions

For more information see:

- *National Instrument 52-110, section 5.1 and Part 6*
- *Form 52-110F1 for non-venture issuers*
- *Form 52-110F2 for venture issuers*

Common Deficiencies – Audit Committee

- Lack of independence of directors (non-Venture)
- Disclosure in the text of the audit committee charter is missing discussion relating to external auditor oversight

Where to File

	Venture	Non-Venture
Executive Compensation	Information circular ⇩ if no AIF ⇩ if no Stand-alone report	Information circular ⇩ if no AIF
Corporate Governance	Information circular ⇩ if no AIF ⇩ if no MD&A	Information circular ⇩ if no AIF
Audit Committee	Information circular ⇩ if no AIF ⇩ if no MD&A	AIF and Information circular (cross referenced to AIF)

Material Change Reporting

Material Change Reporting

Purpose: to give investors immediate notice of material change and enough information to understand it

- **Material fact** – a fact that would reasonably be expected to have a significant effect on market price or value of securities issued or proposed to be issued
- **Material change** – a change in the business, operations or capital of the company that would reasonably be expected to have a significant effect on market price or value of any of the securities of the company (or a decision to implement such a change)

Stock exchange timely disclosure policies

- **Material information** – includes a material fact or material change

For more information, see applicable exchange's website for a copy of:

- *TSX Company Manual, section 408*
- *TSX Venture Exchange Policy 3.3, section 3.1*
- *CNSX Policy 5, section 5.1*

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Material Change Reporting (cont'd)

- If material change occurs, a company must:
  - Immediately issue and file a news release disclosing substance of the change
  - File a material change report as soon as practicable and, in any event, within 10 days of date upon which the change occurs
- Material change report must disclose:
  - date of material change
  - date of news release announcing material change
  - summary of material change
  - full description of material change

For more information, see:

- *Part 7 of National Instrument 51-102 and Form 51-102F3*

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Examples of Potentially Material Information

National Policy 51-201 *Disclosure Standards* provides examples of potentially material information such as:

Changes in	Examples
▪ Corporate structure	▪ Major reorganizations, amalgamations or mergers
▪ Capital structure	▪ Planned issuance or repurchases of additional securities ▪ Planned offerings of warrants to buy shares
▪ Financial results	▪ Unexpected changes in financial results ▪ Reductions in cash flow, write-down, or changes in value or composition of assets
▪ Business and operations	▪ Changes to board of directors or management ▪ Significant new contracts, products or services
▪ Acquisitions and dispositions	▪ Purchase or sale of assets, or joint venture interests
▪ Credit arrangements	▪ Significant amount borrowed or lent ▪ Defaults under debt obligations, or agreements to restructure debt

For further examples, see Appendix F

Confidential Material Change Report

Purpose: In some instances the immediate disclosure of a material change may interfere with a company's ability to complete a transaction

- If harm to a company's business from disclosing outweighs the benefits to the market of immediate disclosure then the company can make a confidential filing with the securities commission
  - Companies are required to renew the filing every ten days
  - Company is responsible for maintaining confidentiality
  - Market activity of company's securities should be carefully monitored

For more information, see:

- *National Instrument 51-102, Part 7*
- *National Policy 51-201, Part 2*

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Materiality Determinations

- Guidance on materiality determinations:
  - No bright line test
    - Company specific determination
  - Context specific
    - Materiality may be related to other facts and circumstances
  - Err on the side of caution
    - If in doubt, it's better to disclose

It is the responsibility of the company to determine what information is material and to disclose it on a timely basis

For more information, see:

- *National Policy 51-201, section 4.2*

Event-Based Disclosure

Event-Based Disclosure

- Business Acquisition Report (BAR)
- Change in year-end
- Change in corporate structure
- Reverse take-over
- Change auditor
- Change of status
- Voting results
- Financial information
- Re-filing documents
- Key documents
- Material contracts

Business Acquisition Report (BAR)

Purpose: investors should have information on business acquired and effect of acquisition on company

- A company must file a BAR after completing a “significant acquisition” of a business (other than a reverse takeover)
- Include certain financial statements of each business acquired (generally 2 years of audited financial statements)
- File within 75 days after the acquisition date

For more information, see:
- *Form 51-102F4*

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BAR (cont'd)

What is considered a "business"?

- Generally, a share purchase transaction is considered to be an acquisition of a business
  - A business may also be acquired in an asset purchase transaction
  - Consider continuity of business operations, including following factors:
    - Whether nature of revenue producing activity will remain generally the same
    - Whether any physical facilities, employees, marketing systems, sales forces, customers, operating rights, production techniques or trade names are being acquired

For more information, see:

- *Companion Policy 51-102CP, subsection 8.1(4) for guidance on meaning of "business"*

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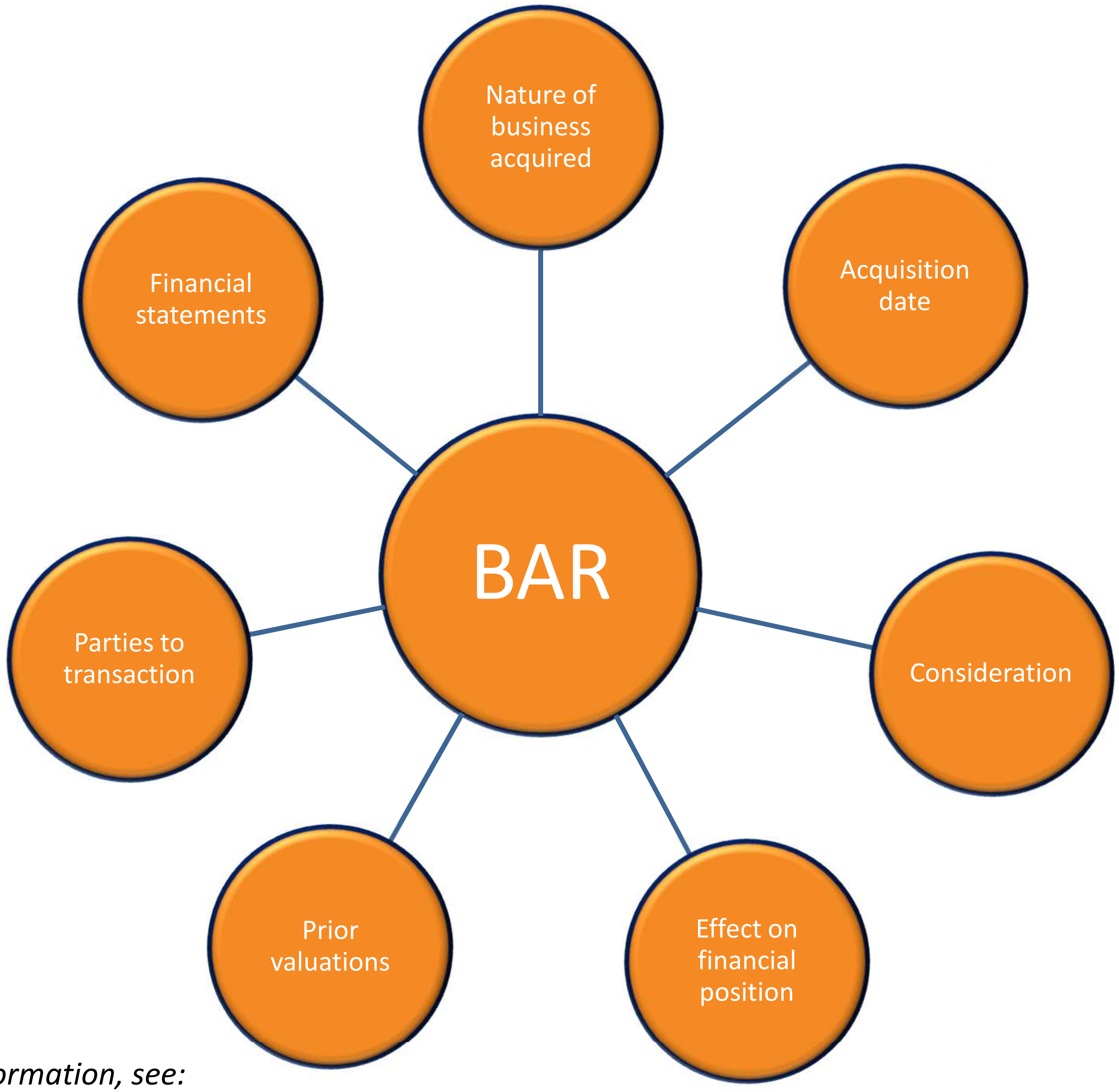
BAR (cont'd)

Determination of significance

- An acquisition of a business is a "significant acquisition" if any one of the significance tests apply

	Venture Issuer	Non-Venture Issuer
Asset test	> 40%	> 20%
Investment test	> 40%	> 20%
Profit or loss test	N/A	> 20%

BAR



For more information, see:

- *Form 51-102F4*

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Change in Year-End

- If a company wants to change its financial year-end, requirements include:
  - filing a notice of change
  - providing comparative financial information in certain cases

For more information, see:

- *National Instrument 51-102, section 4.8*
- *Appendix A of National Instrument 51-102*

Change in Corporate Structure

- A company must file a notice if it is a party to a transaction that resulted in company:
  - Becoming a reporting issuer other than by filing a prospectus
  - Ceasing to be a reporting issuer
  - Changing its financial year end
  - Changing its name, including constating documents
- The notice with prescribed information must be filed as soon as practicable, but no later than company's next required continuous disclosure filing

For more information, see:

- *National Instrument 51-102, section 4.9*

Reverse Takeover

Purpose: investors should have historical financial information about the company which will be the ongoing business

- In a typical reverse takeover,
  - shareholders of a private company obtain control of a public company, and
  - the private company becomes a subsidiary of the public company
- This may involve filing financial statements of the private company for periods ending before a reverse takeover

For more information, see:
- *National Instrument 51-102, section 4.10*
- *Form 51-102F3, Item 5.2*

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Change of Auditor

- If a company wants to change its auditor, it must comply with specific requirements
- This includes preparing a “reporting package” and change of auditor notice

For more information, see:

- *National Instrument 51-102, section 4.11*

Change of Status Report

- A company must file a notice promptly after:
  - becoming a venture issuer, or
  - ceasing to be a venture issuer

For more information, see:
- *National Instrument 51-102, section 11.2*

Voting Results

- Following a securityholders' meeting, a non-venture issuer must file a report that discloses for each matter voted on:
  - a brief description of the matter voted upon and the outcome of the vote
  - the number or percentage of votes cast for, against or withheld from voting (if the vote was conducted by ballot)

For more information, see:
- *National Instrument 51-102, section 11.3*

Financial Information

Purpose: Investors should have timely financial information about the company

- To deliver timely financial information, companies will issue earnings press releases prior to the filings of their financial statements
- A company must file a copy of:
  - any earnings press release it issues or
  - any news releases that discloses historical or prospective financial information

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Re-Filing Documents

Purpose: Investors should be made aware of any continuous disclosure re-filings as this will assist investors in evaluating the impact of the required information

- A company must immediately issue and file news release disclosing substance of the change if it:
  - re-files a continuous disclosure document, or
  - re-states financial information that will differ materially from information originally filed

For more information, see:

- *Appendix G for a sample news release*
- *National Instrument 51-102, section 11.5*

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Key Documents

Documents affecting rights of securityholders

- A company must file:
  - articles and by-laws
  - any securityholder or voting trust agreement that can reasonably be regarded as material to an investor
  - securityholders' rights plans or similar plans
  - any other contract that creates or can reasonably be regarded as materially affecting rights or obligations of its securityholders (e.g., warrant indenture)
  - constating documents for a name change

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Key Documents (cont'd)

Filing deadlines

- For any document entered into during a company's financial year, the earlier of:
    - date of filing of any material change report relating to the document
    - date of filing of company's AIF for that financial year (if company is required to file an AIF)
    - 120 days after the financial year-end

For more information, see:

- *National Instrument 51-102, section 12.1 and 12.3*
- *Companion Policy 51-102CP, sections 12.1 and 12.2*

Material Contracts

Purpose: Material contracts are important for investors in understanding the company's business and the potential impact of the contract on operations

- Companies often do not identify and file material contracts such as contracts

- Companies are required to file copies of material contracts excluding those entered into in the ordinary course of business, with certain exceptions

Material Contracts (cont'd)

Examples of material contracts entered into in the ordinary course of business	Required to file?
Employment contract	In general, no
Contract with supplier	Yes, if ▪ company's business is substantially dependent on the contract, or ▪ continuing contract to purchase the **majority** of the company's goods, services or raw materials
Credit agreement with financial institution	Yes, if ▪ company's business is substantially dependent on the contract, or ▪ contact has terms that have a direct correlation with anticipated cash distributions
Licensing, service and distribution agreements	Yes, if ▪ company's business is substantially dependent on the contract

Material Contracts (cont'd)

Filing deadlines

- For any material contract entered into during an company's financial year, the earlier of:
  - date of filing of any material change report relating to the contract
  - date of filing of company's AIF for that financial year (if company is required to file an AIF)
  - 120 days after the financial year-end

For more information, see:

- *National Instrument 51-102, section 12.2 and 12.3*
- *Companion Policy 51-102CP, section 12.3*

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Filing

Filing fees

Participation fees due by the earliest of:

- Filing due date of annual financial statements
- Date of filing of annual financial statements

- Many companies pay fees but do not submit the appropriate fee form to show the calculation of the capitalization
- Late document fee of $100 business day

Filing documents on SEDAR

- Continuous disclosure documents must generally be filed on SEDAR so investors can view them at www.sedar.com
- Companies must keep their SEDAR profile up-to-date

For more information, see:

- *OSC Rule 13-502 Fees*
- *SEDAR Filer Manual available at www.sedar.com*

Potential Consequences of Default

- Being noted in default on OSC website
- For certain defaults, being subject to a cease trade order
- Being asked to correct and re-file a deficient document and being put on OSC's refilings and errors list
- Late filing fees (financial statements and annual information forms)
- Potential enforcement action under Securities Act

See Appendix K for a sample press release

Insider Reporting Obligations

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Purpose of Insider Reporting

- Deterrent purpose
  - Insiders less likely to engage in improper trading if trading subject to public/regulatory scrutiny
- Signalling purpose
  - Investors provided with timely disclosure of insider transactions and, by inference, insiders' views of company's prospects
- Prevention of improper grant practices purpose
  - Timely disclosure of option grants helps minimize opportunities for improper grant practices (e.g., backdating, spring-loading, etc.)

For more information, see:

- *Companion Policy 55-104CP, section 1.3*

Common Filing Deficiencies

- Not filing insider reports on time
- Not being aware of specific reporting requirement
- Not having required content in filed reports

Who must file insider reports?

- "Insider" is defined in section 1 of Ontario Securities Act
- However, only "reporting insiders" must file insider reports
- Definition of "reporting insider" in National Instrument 55-104 attempts to capture insiders with:
  - routine access to material undisclosed information
  - significant influence over the company

For more information, see:
- *Appendix H for a list of applicable legislation for insider reporting obligations*

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Who is a Reporting Insider?

- CEO, CFO & COO of company, significant shareholder and major subsidiary
- Director of company, significant shareholder and major subsidiary
- Person in charge of principal business unit, division or function of company
- Significant shareholder (> 10% voting securities)
- Company itself in limited circumstances
- Any other insider that:
  - in ordinary course has access to material undisclosed information about the company, and
  - directly or indirectly has significant power or influence over business, operations, capital or development of company

For more information, see:

- *Definition in section 1.1 of National Instrument 55-104 for a complete list*

Primary Insider Reporting Requirement

Initial report

- A reporting insider must file an initial insider report within 10 days of becoming a reporting insider of a company
- Initial report must disclose the reporting insider's:
  - beneficial ownership of, or control or direction over, securities of the company
  - interest in, or right or obligation associated with, a related financial instrument involving a security of the company (e.g., a derivative transaction like an equity swap)

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Primary Insider Reporting Requirement (cont'd)

Subsequent report

- A reporting insider must file a subsequent insider report within 5 days of any change in their holdings (e.g., purchase or sale of securities, exercise of stock options and the acquisition of the underlying shares)
- Subsequent report must disclose the change in the reporting insider's:
  - beneficial ownership of, or control or direction over, securities of the company
  - interest in, or right or obligation associated with, a related financial instrument involving a security of the company

For more information, see:

- *Appendix I*

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How Must Insider Reports Be Filed?

- Insider reports must generally be filed on SEDI so public can view them at www.sedi.ca

- Before a reporting insider files their first report on SEDI, they must file an insider profile
  - An insider profile must disclose:
    - Insider's full legal name and contact information
    - Insider's relationship to company (from list provided – e.g., director)
    - Date the insider became an insider
  - A reporting insider must keep their insider profile up-to-date

For more information, see:

- *National Instrument 55-102, sections 2.1 and 2.2*
- *Form 55-102F1 and Form 55-102F2*

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Issuer Profile Supplement

- Before reporting insiders can file insider reports on SEDI disclosing their holdings in securities of a company, the company must file an issuer profile supplement on SEDI
- Issuer profile supplement must disclose:
  - Name and contact information for insider affairs contact of company
  - Security designations of company (e.g., common shares, different series of preferred shares or debt securities)
- A company must keep their issuer profile supplement up-to-date

For more information, see:

- *National Instrument 55-102, section 2.3*
- *Form 55-102F3*

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Issuer Event Report

- **Issuer event** – a stock dividend, stock split, consolidation, amalgamation, reorganization, merger or other similar event that affects all holdings of a class of securities of a company

- A company must file an issuer event report on SEDI within <u>one business day</u> of an issuer event

- Issuer event report must disclose:
  - Issuer event type (from list provided – e.g., stock split)
  - Effective date of issuer event
  - Issuer event details

For more information, see:

- *National Instrument 55-102, section 2.4*
- *Form 55-102F4*

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Insider Reporting Exemptions

- Automatic securities purchase plan
- Issuer grants
- Normal course issuer bids
- Publicly disclosed transactions
- Issuer events

See Appendix I for further details

Potential Consequences of Default

- Late fees for late insider reports
- Being put on public list of late insiders (Alberta and Québec)
- Being asked to amend a deficient insider report
- Potential enforcement action under Securities Act

Latest Developments

Exempt Market Review

- Published CSA Staff Notice 45-310 *Update on Staff Consultation Note 45-401 Review of Minimum Amount and Accredited Investor Exemptions*
  - Review of the minimum amount and accredited investor prospectus exemptions
- OSC Staff Notice 45-707 *OSC Broadening Scope of Review of Prospectus Exemptions*
  - Considering the introduction of new prospectus exemptions

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Proportionate Regulation for Venture Issuers

- Proposed National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* was republished on September 13, 2012
- Purpose of initiative
  - To streamline and tailor venture issuer disclosure to make it more useful and user-friendly for investors
  - To make the disclosure requirements for venture issuers more suitable and more manageable for issuers at this stage of development
- The 90-day comment period ends December 12, 2012
  - Please provide your input

Fee Rule

- Proposed amendments to OSC Rule 13-502 *Fees* was published for comment on August 23, 2012

- Key changes include:
  - Participation fees for the three year period to be determined by reference to historical market capitalization
  - Increased fees for review of prospectuses, applications and technical reports
  - New fees for review of exempt distribution forms and certain applications

- The 90 day comment period ends on November 21, 2012
  - Please provide your input

OSC Contacts

OSC Contact Centre

- Staff in OSC Contact Centre are available to answer questions

• Local (Toronto)	416-593-8314
• Toll-free (North America)	1-877-785-1555
• Email	inquires@osc.gov.on.ca

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Financial Examiners

- Financial examiners in OSC Corporate Finance Branch keep track of a company's continuous disclosure filings and are available to answer questions

Companies with names beginning with…	Financial examiner
Numbers, A, B, G, N	**Sheryl Antonio** **416-595-8941** **finrepnotifications@osc.gov.on.ca**
D, O, P, Q, R, S	**Shirley Kosti-Perciasepe** **416-593-8280** **finrepnotifications@osc.gov.on.ca**
E, F, H, T, U, V, W, X, Y, Z	**Sonia Castano** **416-593-8212** **finrepnotifications@osc.gov.on.ca**
C, I, J, K, L, M	**Diana Gritton** **416-204-8990** **finrepnotifications@osc.gov.on.ca**

Insider Reporting Review Officers

- Insider reporting review officers in OSC Corporate Finance Branch keep track of insider filings and are available to answer questions

Companies with names beginning with…	Insider Reporting Review Officer
Numbers, A to G	**Evelina Barsukov** **416-593-3694** **ebarsukov@osc.gov.on.ca**
H to Z	**Elizabeth Henry** **416-593-8334** **ehenry@osc.gov.on.ca**

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Phone: 416-595-8063

Questions?

Appendices

Index of Appendices

Appendix A
Applicable Legislation –
Continuous Disclosure Obligations

Applicable Legislation – Continuous Disclosure Obligations

Ontario Securities Act

- Part 1 *Interpretation* – contains definitions; definitions are also in national instruments
- Part XVIII *Continuous Disclosure* – provisions have been varied and supplemented by National Instrument 51-102
- Part XIX *Proxies and Proxy Solicitation* - provisions have been supplemented by National Instrument 51-102

Rules

What information must be filed

- National Instrument 51-102 *Continuous Disclosure Obligations*
- National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*
- National Instrument 52-110 *Audit Committees*
- National Instrument 58-101 *Disclosure of Corporate Governance Practices*
- National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*

How the information must be prepared

- National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*

How the information must be filed or delivered

- National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*
- SEDAR Filer Manual
- National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*

Applicable Legislation – Continuous Disclosure Obligations (cont'd)

Policies

- Companion Policies - Each of the above national instruments has a companion policy which provides issuers with guidance on how to interpret the legal requirements
- National Policy 51-201 *Disclosure Standards*

FAQs

- CSA Staff Notice 54-301 *Frequently Asked Questions about National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer*

Rules, Policies and Notices Related to the Consequences of Default

Late fees

- OSC Rule 13-502 *Fees*, subsection 4.3(1) and Appendix D, item A

Defaults

- OSC Policy 51-601 *Reporting Issuer Defaults*
- CSA Notice 51-322 *Reporting Issuer Defaults*

Refilings

- OSC Staff Notice 51-711 *List of Refilings and Corrections of Errors as a Result of Regulatory Reviews*

Cease trade orders

- National Policy 12-203 *Cease Trade Orders for Continuous Disclosure Defaults*
- National Policy 12-202 *Revocation of Compliance-related Cease Trade Order*

For more information, all rules, policies and notices are available on the OSC website at www.osc.gov.on.ca, except for the SEDAR Filer Manual which is available at www.sedar.com

Appendix B
Venture vs. Non-Venture Requirements

Venture vs. Non-Venture Requirements

Difference	Venture Issuer	Non-Venture Issuer	Disclosure Requirement
Filing Deadline for Annual Financial Statements	120 days after year end	90 days after year end	Section 4.2 NI 51-102
Filing Deadline for Interim Financial Statements	60 days after interim period end	45 after interim period end	Section 4.4 NI 51-102
MD&A Disclosure	Additional disclosure requirements if no significant revenues from operations in the last two financial years	Additional disclosure not applicable to non-venture issuers	Section 5.3 NI 51-102
Certification of Disclosure in Issuers' Annual and Interim Filings	No requirement to provide representations related to establishment and maintenance of DC&P and ICFR	Must provide representations related to establishment and maintenance of DC&P and ICFR	NI 52-109
AIF	No AIF required (unless issuer wants to file a short form prospectus)	Must file AIF	Section 6.1 NI 51-102
Determination of Significance for Filing BAR	Significance determined based on 2 tests (asset or investment test) at 40% level	Significance determined based on 3 tests (asset, investment or income test) at 20% level	Section 8.2 NI 51-102
Report of Voting Results	No requirement to report	Must report	Section 11.3 NI 51-102
Statement of Executive Compensation	No requirement to provide performance graph	Must provide performance graph	Item 2.2 Form 51-102F6
Corporate Governance Disclosure	No requirement to disclose Board mandate or position descriptions	Must disclose Board mandate and position descriptions	Form 58-101 F1/F2

Appendix C
Filing Due Date Calendar

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Filing Due Dates

Year End December 31 Y/E	AFS December 31, 2011	Q1 March 31, 2012	Q2 June 30, 2012	Q3 September 30, 2012
Non Venture	March 30, 2012	May 15, 2012	August 14, 2012	November 14, 2012
Venture	April 30, 2012	May 30, 2012	August 29, 2012	November 29, 2012
Year End January 31 Y/E	**AFS January 31, 2012**	**Q1 April 30, 2012**	**Q2 July 31, 2012**	**Q3 October 31, 2012**
Non Venture	April 30, 2012	June 14, 2012	September 14, 2012	December 17, 2012
Venture	May 30, 2012	June 29, 2012	October 1, 2012	December 31, 2012
Year End February 28 Y/E	**AFS February 28, 2012**	**Q1 May 31, 2012**	**Q2 August 31, 2012**	**Q3 November 30, 2012**
Non Venture	May 28, 2012	July 16, 2012	October 15, 2012	January 14, 2013
Venture	June 27, 2012	July 30, 2012	October 30, 2012	January 29, 2013
Year End March 31 Y/E	**AFS March 31, 2012**	**Q1 June 30, 2012**	**Q2 September 30, 2012**	**Q3 December 31, 2012**
Non Venture	June 29, 2012	August 14, 2012	November 14, 2012	February 14, 2013
Venture	July 30, 2012	August 29, 2012	November 29, 2012	March 1, 2013
Year End April 30 Y/E	**AFS April 30, 2012**	**Q1 July 31, 2012**	**Q2 October 31, 2012**	**Q3 January 31, 2013**
Non Venture	July 30, 2012	September 14, 2012	December 17, 2012	March 18, 2013
Venture	August 29, 2012	October 1, 2012	December 31, 2012	April 1, 2013

http://www.osc.gov.on.ca/en/Companies_filing-calendar_index.htm

Appendix D
Interim Financial Report – Disclosure of Auditor Review

Auditor Review – Disclosure Requirements

Interim Financial Report

- No review completed or review not completed for all periods presented
  - **Disclosure required**
  - Notice must state that the interim financial report has not been reviewed by an auditor
- Review unable to be completed
  - **Disclosure required**
  - Notice must state that the auditor was unable to complete the review and provide reasons why
- Review completed but auditor reservation noted
  - **Disclosure required**
  - Include auditor's review report in interim financial report and file together
- Review completed (no auditor reservation)
  - **No disclosure required with interim financial report**

Sample Notice of No Auditor Review

ABC Company Inc.
CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2012 AND JUNE 30, 2011
(Unaudited and not reviewed by external auditors)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51 -102, paragraph 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Dominion Citrus Income Fund ("the Fund") have been prepared by and are the responsibility of the Fund's management. The Fund's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

[signed]

President and Chief Executive Officer

Appendix E
Definitions of forward-looking information (FLI), future-oriented financial information (FOFI) and financial outlook

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Definitions of FLI, FOFI and Financial Outlook

- **FLI** - disclosure regarding possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action and includes FOFI with respect to prospective financial performance, financial position or cash flows that is presented as a forecast or a projection
- **FOFI** - FLI about prospective financial performance, financial position or cash flows, based on assumptions about future economic conditions and courses of action, and presented in the format of a historical statement of financial position, statement of comprehensive income or statement of cash flows
- **Financial outlook** - FLI about prospective financial performance, financial position or cash flows that is based on assumptions about future economic conditions and courses of action and that is not presented in the format of a historical statement of financial position, statement of comprehensive income or statement of cash flows

Appendix F
Material Information

Examples of Potentially Material Information

Changes in Corporate Structure

- Changes in share ownership that may affect control of issuer
- Major reorganizations, amalgamations, or mergers
- Take-over bids, issuer bids, or insider bids

Changes in Capital Structure

- Public or private sale of additional securities
- Planned repurchases or redemptions of securities
- Planned splits of common shares or offerings of warrants or rights to buy shares
- Share consolidation, share exchange, or stock dividend
- Changes in issuer's dividend payments or policies
- Possible initiation of proxy fight
- Material modifications to rights of securityholders

Examples of Potentially Material Information

Changes in Financial Results

- Significant increase or decrease in near-term earnings prospects
- Unexpected changes in the financial results for any periods
- Shifts in financial circumstances, such as cash flow reductions, major asset write-offs or write-downs
- Changes in value or composition of issuer's assets
- Material change in issuer's accounting policy

Acquisitions and Dispositions

- Significant acquisitions or dispositions of assets, property or joint venture interests
- Acquisitions of other issuers, including a take-over bid for, or merger with, another issuer

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Examples of Potentially Material Information

Changes in Business and Operations

- Development that affects issuer's resources, technology, products or markets
- Significant change in capital investment plans or corporate objectives
- Major labour disputes or disputes with major contractors or suppliers
- Significant new contracts, products, patents, or services or significant losses of contracts or business
- Significant discoveries by resource companies
- Changes to board of directors or executive management, including departure of issuer's CEO, CFO, COO or president (or persons in equivalent positions)
- Commencement of, or developments in, material legal proceedings or regulatory matters
- Waivers of corporate ethics and conduct rules for officers, directors, and other key employees
- Notice that reliance on a prior audit is no longer permissible
- De-listing of issuer's securities or their movement from one quotation system or exchange to another

Examples of Potentially Material Information

Changes in Credit Arrangements

- Borrowing or lending of significant amount of money
- Mortgaging or encumbering of issuer's assets
- Defaults under debt obligations, agreements to restructure debt, or planned enforcement procedures by bank or any other creditors
- Changes in rating agency decisions
- Significant new credit arrangements

Appendix G
Example of Refiling Press Release

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Example of Refiling Press Release

FOR IMMEDIATE RELEASE

ABC COMPANY INC.
RE-FILES INTERIM FINANCIAL STATEMENTS

January 31, 2012 - Ottawa, Ontario – ABC Company Inc. (the "Corporation") announced today that it has revised and re-filed its unaudited condensed interim financial statements for the three and nine months ended September 30, 2011 and 2010.

The only change to the revised statements as compared to the interim financial statements that were filed on November 15, 2011, is to include a statement of changes in equity for the comparative period ended September 30, 2010, as required under paragraph 4.3(2)(b) of National Instrument 51-102 and under paragraph 20(c) of International Accounting Standard 34 Interim Financial Reporting. There are no other changes to the previously reported results or the related management's discussion and analysis.

The re-filed interim financial statements including the above-noted revisions have been filed with the Canadian securities regulators on SEDAR and may be viewed on the Company's profile at www.sedar.com.

For more information, please contact:

Chief Executive Officer

Appendix H
Applicable Legislation –
Insider Reporting Obligations

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Applicable Legislation – Insider Reporting Obligations

Ontario Securities Act

- Part 1 *Interpretation* – contains definitions; definitions are also in national instruments
- Section 107 – provision has been varied and supplemented by national instruments

Rules

- National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)*
- National Instrument 55-104 *Insider Reporting Requirements and Exemptions*
- National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*

Late fees

- OSC Rule 13-502 *Fees*, Appendix D, item B

Policies

- Companion Policies - Each of the above national instruments has a companion policy which provides insiders and issuers with guidance on how to interpret the legal requirements

FAQs

- CSA Staff Notice 55-312 *Insider Reporting Guidelines for Certain Derivative Transactions (Equity Monetization)*
- CSA Staff Notice 55-315 *Frequently Asked Questions about National Instrument 55-104 Insider Reporting Requirements and Exemptions*
- CSA Staff Notice 55-316 *Questions and Answers on Insider Reporting and the System for Electronic Disclosure by Insiders (SEDI)*

For more information, the documents listed above have been posted on the OSC website at www.osc.gov.on.ca

Appendix I
Insider Reporting

What Must Be Disclosed in Insider Reports?

- When reporting an acquisition or disposition of a security, insider report must disclose:
  - Security designation (e.g., common shares)
  - Ownership type (e.g., beneficially owned directly, beneficially owned indirectly, controlled or directed)
  - Identity of holder of securities where ownership is indirect or where control or direction is exercised
  - Date of transaction
  - Nature of transaction (from list provided – e.g., acquisition or disposition in public market)
  - Number or value of securities acquired/disposed of
  - Unit price or exercise price
  - Currency paid

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Exemptions - Automatic Securities Purchase Plan

- Any securities acquired under an automatic securities purchase plan during a calendar year that have not been disposed of or transferred, and any securities that have been disposed of or transferred as part of a "specified disposition of securities", must be reported on or before March 31 of the next calendar year

- Any securities acquired under an automatic securities purchase that are subsequently disposed of or transferred, other than as part of a specified disposition of those securities, must be reported within five days of the disposition or transfer

For more information, see:

- *National Instrument 55-104, Part 5*
- *Companion Policy 55-104CP, Part 5*

Exemptions – Certain Issuer Grants

- If a company files an issuer grant report within 5 days of a grant of stock options and similar compensation arrangements, the reporting insiders named in the issuer grant report can report the grant on a deferred basis
- Instead of reporting the grant within the usual five day reporting timeframe, the reporting insiders have until March 31 of the next calendar year to report the grant
- If, subsequent to the grant and prior to March 31 of the next calendar year, the reporting insider disposes of or transfers the securities identified in the issuer grant report (other than as part of a specified disposition), the reporting insider must file an insider report within 5 days of the disposition or transfer

For more information, see:

- *National Instrument 55-104*

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Exemptions – Certain Issuer Grants (cont'd)

- Issuer grant report must disclose:
  - Date the options or other securities were issued/granted
  - Number of options or other securities issued/granted to each director or officer
  - Price at which the options or other securities were issued/granted and the exercise price
  - Number and type of securities issuable on exercise of the options or other securities
  - Any other material terms that have not been previously disclosed in a public filing on SEDAR

For more information, see:

- *National Instrument 55-104, Part 6*
- *Companion Policy 55-104CP, Part 6*

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Exemptions – Normal Course Issuer Bids and Publicly Disclosed Transactions

- A company can report acquisitions in connection with certain normal course issuer bids within 10 days of the end of the month in which the acquisitions occurred, as opposed to within 5 calendar days of the transaction

- A company does not have to file an insider report in connection with a transaction (other than a normal course issuer bid) involving a security of its own issue if the existence and material terms of the transaction have been generally disclosed in a public filing on SEDAR

For more information, see:

- *National Instrument 55-104, Part 7*
- *Companion Policy 55-104CP, Part 7*

Exemptions - Certain Issuer Events

- A reporting insider must report changes in their holdings of securities of a company resulting from an "issuer event" (discussed above), such as a stock dividend, a stock split or a consolidation

- However, the reporting insider only needs to report these changes the next time they need to file an insider report (rather than 5 days from the issuer event)

For more information, see:

- *National Instrument 55-104, Part 8*