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### Headnote

An issuer that is not a reporting issuer in Canada is seeking first trade relief for securities that it will issue or has issued to Canadian residents - The issuer meets all of the conditions of section 2.14 of National Instrument 45-102 *Resale of Securities* except that residents of Canada will own more than 10% of the securities of the class and will represent more than 10% of the total number of holders of the securities of the class; the issuer is listed on an exchange outside of Canada; the issuer is not seeking to create a market for its securities in Canada by offering its securities to new Canadian investors; the issuer will provide security holders who are resident in Canada with the same continuous disclosure materials that are provided to foreign shareholders

### Exemption Order

#### Verona Pharma plc

#### Section 76 of the *Securities Act*, R.S.B.C. 1996, c. 418

### Background

- ¶ 1 Verona Pharma plc (Verona) applied under section 76 of the Act for an exemption from the prospectus requirement for first trades of its ordinary shares by certain shareholders.

### Representations

- ¶ 2 Verona represents that:
1. Verona is a life sciences company, incorporated under the laws of England and Wales, dedicated to the research, discovery and development of new therapeutic drugs for the treatment of allergic rhinitis (hay fever) and other chronic respiratory diseases, such as asthma and chronic obstructive pulmonary disease, as well as chronic inflammatory diseases;
  2. Verona's principal office is located in London, England;

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3. Verona is not in default of securities legislation in any jurisdiction;
4. the ordinary shares of Verona have been since 2006, and are currently, listed on the London Stock Exchange – Alternative Investment Market (LSE-AIM);
5. its authorized capital consists of 10,000,000,000 ordinary shares (the Ordinary Shares) of 0.1 pence each, of which 238,747,039 were issued and outstanding as of May 19, 2010;
6. as of May 19, 2010, Verona had no share purchase warrants outstanding and had 17,525,166 share options (Options) outstanding with exercise prices ranges between 4 pence and 17.5 pence and expiry date ranges between September 18, 2011 and September 11, 2014;
7. the following Ordinary Shares (Canadian Shares) are held by the persons (Canadian Shareholder Group) and in the amounts listed below, and all such persons are residents of British Columbia:

<u>Canadian Shareholder Group</u>	<u>Canadian Shares</u>
Michael Walker	5,643,651
Yvette Paton	2,419,592
Lewis Choi	620,408
Len Cuthbert	1,209,796
Nelson River Resources Ltd.	1,209,796
<u>Danny Lowe</u>	<u>2,419,592</u>
<u>TOTAL</u>	<u>13,522,835 ;</u>

8. 2,780,000 of the Options (Canadian Options) are held by residents of British Columbia (Canadian Option Holders), including 2,000,000 by Michael Walker of the Canadian Shareholder Group and 350,000 by Danny Lowe of the Canadian Shareholder Group, underlying which are a total of 2,780,000 Ordinary Shares (Underlying Shares) that Verona is obliged to issue if the Canadian Options are exercised according to their terms and conditions;
9. Rhinopharma Limited (Rhinopharma) is, and has been since September 18, 2006, a wholly-owned subsidiary of Verona, having been acquired by Verona (the Acquisition) on that date in exchange for Ordinary Shares;
10. all of the Canadian Shares were issued to the Canadian Shareholder Group in exchange for their shares (the Rhinopharma Shares) of Rhinopharma pursuant to the prospectus and registration exemptions contained in Sections 2.11 and 3.11, respectively, of NI 45-106;

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11. the Rhinopharma Shares were acquired from Rhinopharma in 2004 pursuant to applicable prospectus and registration exemptions in that year;
12. the Canadian Options were originally issued pursuant to applicable prospectus and registration exemptions;
13. Rhinopharma previously obtained discretionary relief for the first trade of Ordinary Shares of Verona issued pursuant to the Acquisition to residents of Canada other than the Canadian Shares;
14. as at May 19, 2010:
  - (a) 19,304,950 Ordinary Shares or 8.09% of Verona's outstanding Ordinary Shares of 238,747,039 were held by residents of Canada;
  - (b) assuming the exercise of all Canadian Options, the total outstanding Ordinary Shares held by residents of Canada would have been 22,084,950 or 8.62% of Verona's then outstanding Ordinary Shares;
  - (c) the total number of shareholders was 728, of which 21 or 2.89% were residents of Canada; and
  - (d) assuming the exercise of all Canadian Options, the total number of shareholders would have been 731, of which 24 or 3.28% would have been residents of Canada;
15. the Canadian Shares are, and, upon issuance, the Underlying Shares will be, subject to resale restrictions, the expiry of which is not determinable until Verona becomes a reporting issuer in a jurisdiction of Canada;
16. unless the requested relief is granted, the Canadian Shares and the Underlying Shares are and will be subject to resale restrictions that may never expire;
17. Verona is not, has never been, and does not plan on becoming a reporting issuer in any jurisdiction of Canada;
18. the Canadian Shareholder Group and the Canadian Option Holders cannot rely on the exemption provided in section 2.14 of National Instrument 45-102 *Resale of Securities* (NI 45-102), because as at the date of distribution, residents of Canada owned, directly or indirectly, more than 10 percent of the then issued and outstanding shares of Verona, and represented in number more

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than 10 percent of the total number of owners, directly or indirectly, of the then-issued and outstanding shares of Verona;

19. Verona will provide to its shareholders resident in Canada the same information that AIM requires Verona to provide to all other of its shareholders;
20. none of Verona's securities are listed on any exchange or quotation system in Canada, and Verona has no intention of so listing any of its securities; and
21. any resale of the Canadian Shares or Underlying Shares is expected to be made through the facilities of the LSE-AIM in accordance with its rules and regulations; no market currently exists for the Ordinary Shares in Canada and none is expected to develop.

### **Order**

¶ 3 Because it would not be prejudicial to the public interest, the Executive Director orders under section 76 of the Act that the first trade of the Canadian Shares and the Underlying Shares is exempt from the prospectus requirement, provided that:

1. Verona is not a reporting issuer in any jurisdiction of Canada at the date of the trade; and
2. the trade is made:
  - (a) through an exchange or market outside of Canada, or
  - (b) to a person or company outside of Canada.

¶ 4 June 8, 2010

Martin Eady, CA  
Director, Corporate Finance  
British Columbia Securities Commission