

September 5, 2014

Tracey Stern
Manager, Market Regulation
Market Regulation Branch
Ontario Securities Commission
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Dear Ms. Stern,

**Re: Application for Recognition of Aequitas Innovations Inc. and
Aequitas Neo Exchange Inc. as an Exchange**

The Canadian Investor Relations Institute (CIRI), a professional, not-for-profit association of executives responsible for communication between public corporations, investors and the financial community, is pleased to provide comments regarding the application for recognition of Aequitas Innovations Inc. and Aequitas Neo Exchange as an exchange. CIRI is committed to educating its members and other stakeholders regarding the value of appropriate investor relations best practices as an element of appropriate corporate governance best practices. CIRI has approximately 550 members from across Canada, three quarters of which are investor relations professionals employed by publicly listed reporting issuers. Of those members, the majority represent mid-to-large capitalization issuers. Please see Appendix A for more information about CIRI.

CIRI commends the Aequitas Neo Exchange for incorporating investor relations requirements in its Listing Manual, specifically in Part II, Section 2.02 Minimum Listing Standards – General, Sub-section (5) Analyst Coverage/Investor Relations Requirements. We feel the investor relations function is extremely important for any publicly listed company regardless of size and that it benefits the issuer and the investment community. We do have concerns about the specifics of these requirements as discussed below.

- a) The proposed Listing Manual requires, *“The commitment of at least one Qualified Analyst to cover the security for a period of at least one year and to issue one or more research reports (as defined in Rule 3400 of the IIROC dealer-member rules).”*

CIRI believes that this is an unreasonable requirement given that the decision to initiate and maintain research coverage by an independent, third-party sell-side analyst is completely beyond the control of the issuer. Numerous issuers listed on current



Canadian exchanges are currently without analyst coverage, particularly small-capitalization companies and those who may unfortunately be a part of 'out-of-favour' sectors. While it is generally a key objective of investor relations professionals to gain research coverage, there are numerous factors (such as sector focus, available analyst resources, liquidity, growth potential, etc.) that go into an analyst's decision regarding which issuers to cover and to what extent and most of these factors are outside of the issuer's control.

CIRI would prefer Aequitas establish listing requirements that require candidate issuers to commit to establishing an investor relations function such that the issuer can establish, among other key responsibilities, a well-defined, professional approach to attracting and keeping research coverage.

- b) The Listing Manual proposes, as an alternative requirement, *"An investor relations budget of at least \$25,000 per year for a period of at least one year."*

We are concerned that the proposed budget is too modest, by a significant amount. According to our *Investor Relations Compensation & Responsibilities Survey* conducted in 2012, the **average** budget for issuers with market capitalizations below \$100M was \$335,000. We feel the investor relations budget proposed is insufficient and should be increased in order to make the function meaningful.

The Listing Manual also makes the following commentary: *The Exchange will review the proposed plan to allocate the investor relations budget to confirm it is being used to provide information which facilitates knowledgeable investment decisions. Acceptable expenses include: maintaining an IR web site, presentations to institutional and retail investors, research, staff compensation, annual reports, news release dissemination and media monitoring.*

Based on CIRI's 2012 *Survey*, the average investor relations budget is allocated as follows: 36% staff compensation; 21% roadshows/site visits; 10% annual reports; 7% regulatory filings; 7% news release dissemination; 7% market intelligence and 6% investor relations website. This allocation pertains to all survey respondents regardless of market capitalization. Issuers with less than \$100M market capitalization rarely included market intelligence services.

The Listing Manual includes "research" as one of the acceptable investor relations expenses. If "research" refers to company paid research, CIRI does not find this to be an appropriate investor relations expense given that such research may not be impartial. CIRI finds the term "research" too vague and feels that further clarification is required.



- c) The above two proposed listing requirements are required for only a one-year period, which is inconsistent with good investor relations. The establishment of a relationship between an issuer, existing shareholders and potential new investors is an ongoing and continuous process and should not be time-limited.

CIRI would rather see a requirement that the issuer commits to establishing the investor relations function as an ongoing function, that at least one corporate individual be identified as responsible for investor relations activities, and that the investor relations function report to either the CEO or CFO. It is also important that the issuer identify the individual responsible for investor relations so that capital markets participants know who they can call or contact within the corporation for investor information.

Should the application for recognition of Aequitas Innovations Inc. and Aequitas Neo Exchange Inc. as an exchange advance, we would be happy to discuss this listing requirement further with the OSC and/or Aequitas.

CIRI appreciates the opportunity to comment on this request for comments and would be pleased to answer any questions on our comments and/or positions expressed herein.

Yours truly,

A handwritten signature in black ink, appearing to read 'Yvette Lokker', with a stylized, flowing script.

Yvette Lokker
President & CEO
Canadian Investor Relations Institute

APPENDIX A

The Canadian Investor Relations Institute

The Canadian Investor Relations Institute (CIRI) is a professional, not-for-profit association of executives responsible for communication between public corporations, investors and the financial community. CIRI contributes to the transparency and integrity of the Canadian capital market by advancing the practice of investor relations, the professional competency of its members and the stature of the profession.

Investor Relations Defined

Investor relations is the strategic management responsibility that integrates the disciplines of finance, communications and marketing to achieve an effective two-way flow of information between a public company and the investment community, in order to enable fair and efficient capital markets.

The practice of investor relations involves identifying, as accurately and completely as possible, current shareholders as well as potential investors and key stakeholders and providing them with publicly available information that facilitates knowledgeable investment decisions. The foundation of effective investor relations is built on the highest degree of transparency in order to enable reporting issuers to achieve prices in the marketplace that accurately and fully reflect the fundamental value of their securities.

CIRI is led by an elected Board of Directors of senior IR practitioners, supported by a staff of experienced professionals. The senior staff person, the President and CEO, serves as a continuing member of the Board. Committees reporting directly to the Board include Nominating; Audit; Membership; Issues; Editorial Board; Resource and Education; and Certification.

CIRI Chapters are located across Canada in Ontario, Quebec, Alberta and British Columbia. Membership is approximately 550 professionals serving as corporate investor relations officers in approximately 300 reporting issuer companies, consultants to issuers or service providers to the investor relations profession.

CIRI is a founding member of the Global Investor Relations Network (GIRN), which provides an international perspective on the issues and concerns of investors and shareholders in capital markets outside of North America. The President and CEO of CIRI also sits as a member of the Continuous Disclosure Advisory Committee (CDAC) of the Ontario Securities Commission. In addition, several members, including the President and CEO of CIRI, are members of the National Investor Relations Institute (NIRI), the corresponding professional organization in the United States.