

December 11, 2012

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission
Prince Edward Island Securities Office
Office of the Superintendent of Securities, Government of Newfoundland and Labrador
Department of Community Services, Government of Yukon
Office of the Superintendent of Securities, Government of the Northwest Territories
Legal Registries Division, Department of Justice, Government of Nunavut

C/O: Ashlyn D'Aoust
Legal Counsel, Corporate Finance
Alberta Securities Commission
Suite 600, 250-5th Street SW
Calgary, Alberta T2P 0R4
Fax: (403) 297-2082
ashlyn.daoust@asc.ca

Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec H4Z 1G3
Fax: 514-864-6381
consultation-en-cours@lautorite.qc.ca

Dear Sir/Madame:

Re: Proposed National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers

We have reviewed Proposed National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* released September 13, 2012 (the "Proposal") and we thank the Canadian Securities Administrators ("CSA") for the opportunity to provide you with our comments.

Representing the interests of institutional shareholders, CCGG promotes good governance practices in Canadian public companies and the improvement of the regulatory environment to best align the interests of boards and management with those of their shareholders, and to promote the efficiency and effectiveness of the Canadian capital markets. Our members collectively manage almost \$2 trillion of savings on behalf of most Canadians. Our members regularly invest in issuers listed on the TSX-V. A list of our members is attached to this submission.

Overview

We are pleased with certain changes the CSA have made to the original Proposed National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* published for comment by the CSA on July 29, 2011 (the "Original Proposal"), and in particular the decision not to eliminate quarterly financial reporting for venture issuers. We continue to believe, however, that the proposed standards overall will result in less protection for investors and have the potential to adversely affect the reputation of the Canadian marketplace. In our view, smaller companies are not in less need of robust governance practices and the risk to investors of the lack thereof does not diminish with the smaller size of the company. The current regime's less stringent governance disclosure requirements for venture issuers already recognizes some of the unique aspects of venture issuers and further reducing those requirements does a disservice to investors.

We restrict our comments below generally to those not included in our previous comment letter, dated October 27, 2011, that responded to the Original Proposals. Much of our previous letter continues to be relevant to the Proposal and we confirm those comments.

Reduced Compensation Disclosure

We are pleased that the Proposal will require that compensation disclosure be located in the information circular since investors need this information when they are making voting decisions with respect to annual general meeting (AGM) matters. We continue to maintain, however, that all public companies should be providing the same executive compensation disclosure. We do not believe that the disclosure required under the current regime is a significant burden for issuers, as reflected in the fact that when the executive compensation rules were recently amended no venture issuers commented that those rules were too complicated or onerous.

We do not support reducing the number of "named executive officers" for which compensation disclosure is required from five to three. If an executive meets the prescribed threshold (total compensation of more than \$150,000) there is no reason to assume information about his or her compensation would not be material to shareholders assessing a venture issuer's compensation program. The additional burden on venture issuers would be minimal.

As noted in our previous comment letter, we question permitting venture issuers to provide only two years of compensation information instead of three. Typically, executive compensation programs incorporate elements that are designed to reward performance over a time frame of greater than two years, especially when securities-based awards are part of the program. A two

year picture does not provide enough information about the alignment of compensation and company performance to enable shareholders to meaningfully assess the total compensation program.

As we also noted in our previous comment letter, we believe that combining NEO and director compensation information into one table reduces the clarity and utility of that disclosure, while doing little to lessen the burden on venture issuers. It also implies that the roles of management and directors are similar, which is incorrect. We believe it is especially important to be clear on the differences between management and directors in the case of venture issuers which are more likely to have related parties in executive and director roles.

Finally, while CCGG supports the proposal to allow stock options or other securities-based compensation to be disclosed at fair market value at the time options are exercised, we do not support the elimination of the current requirement to disclose the grant date fair value of stock options. What the board intended to pay an executive at the time the award was made is valuable information for shareholders and, in conjunction with the disclosure of fair market value at the time of exercise, allows shareholders to compare how the actual return to an executive compares with the board's intentions. Further, since options may comprise a large portion, if not all, of variable pay at venture issuers, a requirement that grant date fair values be disclosed will ensure that directors of these issuers consider a measure of wealth transfer from shareholders to executives when granting options and be in a position to justify to shareholders that the value is warranted.

Location of Governance Disclosure

We strongly disagree with the proposal to move the governance disclosure to the Annual Report and not include it in the information circular. Information about directors should be disseminated to shareholders along with the other information that is needed to make meaningful voting decisions on AGM matters, especially since the election of directors is the most fundamental right of shareholders and arguably the most important item on the AGM agenda. Shareholders generally are used to looking for this information in the circular and having to reference the Annual Report as well is an unnecessary inconvenience.

Conclusion

In summary, we continue to believe that the potential negative consequences of reducing the governance and executive compensation disclosure requirements outweigh the possible benefits to venture issuers of further streamlining and simplifying their compliance. Given that the majority of the publicly listed companies in Canada are TSX V-issuers, with these proposals the CSA risks creating the perception among international investors that Canada's governance standards as a whole are lax. It also may create an incentive for issuers to list (or continue to be listed) on the TSX-V even if they are eligible to be listed on the TSX, simply to avoid the TSX's more stringent governance and disclosure regime.

We thank you again for the opportunity to provide you with our comments. If you have any questions regarding the above, please feel free to contact our Executive Director, Stephen

Erlichman, at 416.868.3585 or serlichman@ccgg.ca or our Director of Policy Development, Catherine McCall at 416.868.3582 or cmccall@ccgg.ca.

Yours very truly,

A handwritten signature in blue ink, appearing to read "D. E. Chornous".

Daniel E. Chornous, CFA
Chair of the Board
Canadian Coalition for Good Governance

CCGG MEMBERS

Acuity Investment Management Inc.
Alberta Investment Management Corporation (AIMCo)
Alberta Teachers' Retirement Fund Board
Aurion Capital Management Inc.
BlackRock Asset Management Canada Limited
BMO Harris Investment Management Inc.
British Columbia Investment Management Corporation (bcIMC)
Burgundy Asset Management Ltd.
Canada Post Corporation Registered Pension Plan
CIBC Global Asset Management
Claymore Investments, Inc.
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Connor, Clark & Lunn Investment Management
CPP Investment Board
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GCIC Ltd.
Greystone Managed Investments Inc.
Hospitals of Ontario Pension Plan (HOOPP)
Jarislowsky Fraser Limited
Leith Wheeler Investment Counsel Ltd.
Lincluden Investment Management
Mackenzie Financial Corporation
MFC Global Investment Management
NAV Canada
New Brunswick Investment Management Corporation (NBIMC)
NEI Investments
Ontario Municipal Employees Retirement Board (OMERS)
Ontario Pension Board
Ontario Teachers' Pension Plan (Teachers')
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Standard Life Investments Inc.
State Street Global Advisors Ltd. (SSgA)
Sun Life Financial Canada
TD Asset Management Inc.
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UBS Global Asset Management (Canada) Co.
United Church of Canada
University of Toronto Asset Management Corporation
Workers' Compensation Board - Alberta
York University Pension Plan