VELAN

Velan Inc.
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July 3, 2017

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marches financiers
Financial and Consumer Services Commission (New Brunswick)
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

Re. CSA 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers

Dear Sir,

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We are writing you concerning your request for responses from market participants to your CSA Consultation Paper 51-404 published on April 6, 2017. Velan Inc ("VLN") has been listed on the TSX for approximately 20 years, and we are fully in favour of your proposal to reduce the regulatory burden on reporting issuers.

First, some background on VLN. We are a Canadian based manufacturer of valves with operating subsidiaries in twelve countries. In our most recent year, we reported revenues of US$332 m and net earnings of US$7.7 m. We are controlled by Velan Holdings, which owns approximately 72% of the equity. Our public float is approximately C$111 m. Two thirds of that float has been held by three institutional shareholders for many years now. Our average daily volume for the last six months is under 2,000 shares. In should be noted that our share price seldom reacts to any of our quarterly financial filings. On the other hand, fluctuations up or down may occur on volumes as low as 200 shares where there is a motivated buyer or seller.

Our quarterly close and reporting process is complicated and tight, with no room for delays or problems at any of the subs. Not all of our subs use the same accounting software but we have streamlined the reporting process using Cognos software. The closing process was made more complicated in 2012 when we switched to IFRS, which has more lengthy and onerous reporting requirements then the Canadian GAAP that we used previously. In spite of the consolidation software, which facilitates the roll-up of results, we still need to take the time to understand all of the issues and trends in each of the subs in order to prepare a proper MD&A for the quarter. The filing process requires much review at various levels up to and including the Board, and there are costs associated with the entire process which are not inconsequential. Although we do not have an official quarterly legal or auditor review, we do review many issues with our advisors as part of the process.

So with respect to some of the issues that you raised in your document, we would like to make the following comments:

1) **We favour going to a six-month basis for interim financial statements**. We would not abandon the quarterly closing procedures that we impose on our international operations as we think it is important to maintain the internal discipline of correctly reporting financial results. We do think that it is preferable however to devote financial and management time to understanding, monitoring and guiding the financial activities of our operations rather than going through all the steps required for a quarterly statutory filing. We note that the adoption of a six-month reporting timetable has been successfully adopted by other jurisdictions overseas and we see no reason why it wouldn't work here in Canada as well. We believe that there are adequate methods for reporting interim events of interest to stakeholders at other than the official reporting dates, through material change reports, press releases on current developments, etc.

2) **We think that there should be a size limitation used to qualify reporters for six-month reporting**. We would base it upon a combination of measurements: total revenue and total float (say under $1 billion for each).

3) **We would lengthen the filing deadline for the interim financial statements from the current 45 days to 52-55 days**. We have no issues with the 90-day deadline for annual filings.

4) **The overlap of disclosures between the financial statements and MD&A should be reduced or eliminated**. While the note disclosures of interim financial statements are less onerous than at year end, there is a certain amount of duplication with the MD&A.

5) **The AIF should be retained but the share and director information eliminated**. It contains much useful information to stakeholders about our business operations. On the other hand, the information on directors, share ownership, etc. is duplicative of what is already included in the proxy.

6) **We do think it is appropriate for a reporting issuer to satisfy the delivery requirements under security legislation by making proxy materials, financial statements and MD&A publicly available electronically.** We recommend removal of the requirement to deliver paper copies. Although 10 years ago it was different, we very seldom receive requests for paper copies, and the process of preparing them is costly and time consuming.

We appreciate the opportunity to provide our input and look forward to seeing the outcome of your deliberations.

Yours truly,

VELAN INC.

[redacted]

John D. Ball
Chief Financial Officer

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Superintendent of Securities, Nunavut

Re. CSA 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers

Dear Sirs,

I am writing concerning your request for responses from market participants to your CSA Consultation Paper 51-404 published on April 6, 2017. I have been on the Velan Inc. board of directors since July 2013. Immediately before that, I was with the Canadian Public Accountability Board ("CPAB") for seven of its first eight years. I write now as chair of Velan Inc.'s audit committee.

Velan Inc. ("VLN") has been listed on the TSX for approximately 20 years. It is controlled by Velan Holdings, which owns approximately 72% of the equity. The public float is approximately C$111 million. Two thirds of that float is held by three institutional shareholders. Our share price seldom reacts to any of our quarterly financial filings. Similarly, it is very rare that there is even one question on the quarterly earnings call.

Our board is strongly in favour of moving to a six-month basis for interim financial statements. We would continue to require a quarterly reporting process internally, but would use the time freed up from statutory responsibilities to increase our focus on strategy and value creation for our shareholders.

Such a six-month reporting timetable has been successfully adopted by other jurisdictions. It is one way to reduce the focus on generating specific short-term results. This unhealthy focus on "short-termism" has been an ongoing concern of the ICD. A change to a six-month reporting requirement by the CSA would respond to this concern.

I appreciate the opportunity to provide input and look forward to seeing the outcome of your deliberations.

Sincerely,

[redacted]

Cheryl Hooper CPA,CA, MBA
Chair, Audit Committee
Velan Inc.