

24<sup>th</sup> of July, 2017

British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés 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

The Secretary  
Ontario Securities Commission  
20 Queen Street West  
22nd Floor  
Toronto, Ontario M5H 3S8  
Fax: 416-593-2318  
Email: [comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

**Regarding: Ongoing Governance and Disclosure Requirements for Venture Issuers**

Dear CSA:

I write based on my experience as a former Investment Advisor, an advisor to companies both public and private, a founder of reporting issuer companies, director of some as well as CEO of one, an advisor to Canadian Securities Exchange and to companies considering how to access the capital markets, a formal VA Angels member, and a co-founder/principal of a small cap investor forum (TakeStock!Conferences).

In addition as part of my responsibilities with CSE and also with the TakeStock!Conferences, I have consulted with a range of individuals active in the small cap markets and companies regarding the CSA whitepaper. These included CFOs and CEOs of pubcos, independent directors, both Investor Relations professionals and Investment Advisors who participate in small caps, investors both institutional small cap and individual, securities lawyers, etc.

I also coordinated a formal feedback session for CSE and MNP which had some 15 people and a range of the professions mentioned above (though no CFOs).

Restricting my comments to the ongoing disclosure requirements, and definition of Venture Issuer:

**Size to qualify as a “Venture Issuer”** Small cap companies incorporate a wide range of types, industries, and capital pacing, from tiny to larger, and from consumers of cash to generators of cash. These companies find their market caps, revenues, and access to capital quite volatile. A company could raise \$100 million, and find the project or business to become unviable for a number of reasons, and be right back to the position of nanocap.

**RECOMMENDATION:** Exchange, market cap, revenue over several years, and capital raised – a company should have to breach thresholds in all of these, or at least three, for it to be removed from “Venture Issuer Status”.

**Not one person with whom I consulted supported elimination of 1<sup>st</sup> and 3<sup>rd</sup> quarter financial reports**, but very few find the MD&A for most venture issuers to be useful, and no one found any value in the CEO and CFO certifications.

It is confusing as to why the CSA would give up disclosure of 1<sup>st</sup> Q and 3<sup>rd</sup> Q Financial statements and MD&A, which would deny investors critical regular information about the cash position especially approaching release of the audit,

but won't simply give up MD&A for Q1, Q2, and Q3, which so many investors in most venture issuers find rather pointless.

Speaking as an investor, elimination of 1<sup>st</sup> and 3<sup>rd</sup> quarter financials, or making them optional and therefore confusing investors' expectations of the space, would be a terrible decision. It would mean at one point making investment decisions using financial statements that are ten months old – simply unacceptable for most investors.

From the company view, elimination of 1<sup>st</sup> and 3<sup>rd</sup> quarter financials would provide only minimal savings, as those financials are unaudited, and the board should be reviewing them regularly anyway.

It is the MD&A which is so time consuming for small companies, so it would be far better to eliminate that requirement for all but the year end. Many venture issuers are not availing themselves of the “modified MD&A” option because the CFOs fear that the subjective nature of the guidelines increases the risk of a time consuming and expensive regulatory review. The market place is telling the CSA that this initiative has missed the mark.

Adoption of IFRS has been counterproductive for investor understanding of companies, and using a similar argument that we should standardize with other international markets risks following in the same footsteps; furthermore; Canada still has the best public venture markets, though we are slipping, and adopting the practices of less successful markets does not seem wise.

**RECOMMENDATIONS:** Eliminate MD&A for Q1, Q2, and Q3, along with CEO and CFO certifications for that period. Simple, clear, and easy.

Yours truly,



S. Mark Francis  
Capital Markets Consultant