

December 19, 2002

Ontario Securities Commission  
c/o John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street W. 19th Floor, Box 55  
Toronto, ON M5H 3S8

RE: Comments in response to the proposed National Instrument 81-106

MD Funds Management Inc. is pleased to respond to the Commission's request for comments concerning the proposed NI 81-106. We agree in principle with the changes to the NI 81-106 as proposed in the September 20, 2002 version. Our comments herein address the broad issues as presented in the OSC's Notice of Request for Comments.

The Annual Report of Fund Performance, which provides information concerning the results of an investment fund's operations over the past year and forwardlooking financial information, could be viewed as a synthesized and short version of information that is partly available in a fund's Simplified Prospectus. As such, we believe that this report should be designed to complement the fund's SP rather than duplicating information already available in the SP.

We welcome the initiative of quarterly reports, provided the proposed amendment to NI 81-101 removes the financial highlights, top 10 holdings and performance data from the Simplified Prospectus. We also believe such up-to-date information about a fund's performance is the most frequent disclosure that a Fund Manager should be required to issue, as well as current and prospective investors should be offered. More frequent disclosure could be considered by investors as "information over-load" and be counter-productive to making informed investment decisions.

As acknowledged, the disclosure system outlined in the proposed National Instrument is likely to result in new costs to MD Funds Management Inc., and other industry participants, if only because of the introduction of the requirement to prepare and file annual and quarterly management reports of fund performance. Costs that will ultimately be passed on to investors through increased MERs. We therefore formally suggest that delivery of such statements and management reports not be mandatory, but rather, as indicated by the OSC, only be required at the request of the securityholder. We also agree, as the proposed Companion Policy indicates, that the annual document request forms be sent to securityholders together with other mailings or electronically.

With regard to the requirements for Financial Statements, MD Funds Management Inc. believes the amount of detail provided in the proposed NI 81-106 will assist with the preparation, consistency and comparability of a fund's financial statements made available to securityholders. Therefore, in our view, no additional detail, or specific direction, is necessary. MD Funds Management Inc. firmly believes that investment funds should not be required to prepare and

file quarterly financial statements in addition to the proposed quarterly management reports of fund performance. Again, we are of the opinion that such additional information is unnecessary in regard to making investment decisions by current and prospective clients.

MD Funds Management Inc. wishes to express confidentiality concerns about including "Material Contract" information in the information made available to investors. We reiterate the fact that such contracts are entered into between two private parties. Detailed Information contained in such contracts should remain confidential between the parties. We believe such contracts should not be made public, but rather disclosure of the names of the contractors and the general purpose of the contract is all that should be disclosed.

Finally, MD Funds Management inc. would welcome, in the "Definitions and Application" section of the proposed National Instrument 81-106, a definition of "Material Information", as the expression is used in the context of the proposed NI and as required to be sent to clients.

Yours truly,

F.R. Hewett  
President & CEO  
MD Funds Management Inc.