

December 19, 2002

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Securities Administration Branch, New Brunswick
Office of the Attorney General, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Registrar of Securities, Government of Yukon
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

C/o John Stevenson
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
E-mail: jstevenson@osc.gov.on.ca

-and-

Denise Brosseau, Secretary
Commission des valeurs mobilières du Québec
800 Victoria Square, Stock Exchange Tower
P.O. Box 246, 22nd Floor
Montreal, Québec H4Z 1G3
E-mail: consultation-en-cours@cvmq.com

Re: CSA Request for Comment on NI 81-106

McLean Budden Limited (MB) and McLean Budden Funds Inc. (MBFI) would like to thank the Canadian Securities Administrators (CSA) for the opportunity to respond to the Notice of Request for Comments on “Proposed National Instrument 81-106 and Companion Policy 81-106 CP Investment Fund Continuous Disclosure, and Form 81-106 FI Contents of Annual and Quarterly Management Reports of Fund Performance”.

MB is a registered Investment Counsel and Portfolio Manager with over \$20 billion in pension, private client and institutional assets under management. MBFI is a registered Mutual Fund Dealer that manages over \$700 million in mutual fund assets.

MB and MBFI (further referenced as MB) understand that proposed changes to the continuous disclosure requirements is to provide investors and their advisors with timely and useful information to better assess an investment funds performance, position and future outlook. MB believes that many of the proposed changes will result in an easier to understand and more user-friendly investment industry but worry that several proposed changes will be exceedingly difficult to manage and the cost benefit to the client may be minimal or negated.

CSA Question #1

The CSA invite comments as to whether the quarterly management reports of fund performance will achieve the goals that they are intended to achieve. Should there be more or less frequent disclosure of fund performance information and why? Should there be quarterly reporting for all investment funds? Does the proposed type of information allow an investor or an adviser to make informed investment decisions?

MB recognizes the need for simplified, easier to read information circulars for clients and view the Management Report of Fund Performance (MRFP) as a fair solution. By structuring the reports in the manner described in the proposal, MB believes clients will be better able to understand and evaluate their investment products.

Providing the MRFP by 'request only' would significantly reduce production and delivery costs. Quarterly or semi-annual disclosure of performance and information regarding the fund is in MB's opinion adequate for clients and advisors to make informed investment decisions. An overlap could occur if the MRFP was to be sent out quarterly and structures within the securities market and investment fund could change drastically if the MRFP was produced simply on a yearly basis. Therefore, MB is of the believe that semi-annual MRFP reports would be the best solution. MB is sympathetic to the comment made by IFIC, stating that, quarterly disclosure to clients in the form of the MRFP, may encourage clients to gauge their investments as more of a 'snapshot' than as a journey towards their ultimate objectives. Generally those investors that could be considered 'flight risks' are cognizant of the funds performance and track record, regardless of whether the information is listed in a quarterly report.

The removal of the Financial Highlights, the Top 10 Holdings and Performance Data from the Simplified Prospectus Part B would reduce the written content of MB's Simplified Prospectus Part B by approximately 60%, thus reducing production, mailing and administrative costs.

The Management Discussion of Fund Performance (MDFP) appears to encompass topics relevant to clients and advisors in a manner more easily understood by clients with varying investment knowledge.

MB applauds the concept of disclosing only financial highlights versus the full, traditional financial statements in the MRFP. Since clients do not have discretionary control over the securities within their investment funds and are instead trusting their

portfolios to professional money managers it appears unnecessary to list the full, traditional financial statements more frequently than annually. In MB's opinion the MFRP will disclose enough information to investors and advisors regarding the performance and direction of the investment fund.

Although MB cannot substantiate that a prevalence of front-running or abusive trading would be a direct result of recommendations in NI 81-106, it creates obvious concerns. Our ultimate goal is to provide clients with the best and fairest prices for each and every security trade made in the fund the client invests in. If this cannot be achieved through the implementation of NI 81-106, then concessions must be realized now to remedy the situation.

MB is of the belief that disclosing a record of all its proxy voting decisions to mutual fund unit holders does not create added value to unitholders and therefore believe that proxy votes should not be disclosed. Perhaps supplying a list of only those proxy's voted against management recommendations is a better avenue to pursue in dealing with this matter.

CSA Question #2

The CSA invite comment on whether the financial statement requirements set out in the proposed Rule meet the needs of the users of the financial statements? Does the amount of detail provided in the proposed National Instrument assist with the preparation, consistency and comparability of the financial statements? Is the proposed National Instrument too detailed? Is more detail or specific direction necessary?

The majority of investment funds currently prepare and file six-month interim financial statements. Should all investment funds be required to prepare and file quarterly financial statements in addition to the proposed quarterly management reports of fund performance?

Reducing the filing periods for both annual financial statements (from 140 to 90 days after year end) and interim financial statements (from 60 to 40 days), would not materially change any of MB's processes from already existing procedures. Although, in discussion with our auditors, indication was made that it may not be feasible to complete the necessary workload within the proposed time frames. A concern of investment firms with a fiscal year end of December 31 is the possibility that liability could be placed on the investment firms if auditors were unable to adapt to the changes to complete the audits within the time constraints.

MB produces all its information circulars (including financial statements) in both English and French. The current process of creating an English version of the document and subsequently having it translated into French is a burdensome and time-consuming process. The newly proposed reduction in filing deadlines would add additional pressure to firms like MB that must produce these documents in more than one language.

Of greatest concern is the change in frequency of filing and delivering interim financial statements from semi-annually to quarterly. The costs involved in producing, filing and delivering the interim financial statements appear at first glance to greatly outweigh the benefits clients may attain. MB believes that the current regime of filing audited year-end financial statements and the un-audited semi-annual financial statements produces fair disclosure to unit holders and MB sees no reason to alter it.

Understandably one of the goals of NI 81-106 is to provide investors and advisors with more user-friendly investment tools, but by producing interim financial statements on a quarterly basis in addition to a quarterly MRFP, this may in turn confuse those same investors this instrument is trying to help.

In a growing era of liability issues surrounding corporate governance, MB commends the CSA's proposal that the Board of Directors of an investment fund must 'approve' the annual MRFP and financial statements and 'review' the proposed quarterly MRFP and interim financial statements. Insurance provisions and premiums are already extremely high in the investment industry, having increased 40% year-over-year. Of obvious concern is the net effect on insurance premiums if firms were required to approve all financial statements and MRFP's.

Historically the Annual Information Form (AIF) is MB's least requested client document and therefore MB considers the value added to clients by producing the cumbersome document to be extremely minimal. BCSC's Continuous Disclosure document outlines what MB believes is a more practical requirements for the AIF and would support a review by the CSA of this document and the implementation of this proposal into NI 81-106.

MB would again like to thank the CSA for allowing it to make comments on the proposals for NI 81-106. If there are any questions or comments from this comment letter, please direct them to,

Yours truly,



Grant Patterson
Compliance Officer
McLean Budden Limited
416-640-8971
Gpatterson@McLeanBudden.com

