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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 Div, Dept of Justice, Government of Nunavut

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

Dear Sir/Madam:

RE: Proposed National Instrument 81-106, Request For Comments

We have recently reviewed the proposed National Instrument 81-106, the related Form and Companion Policy, and we offer the following comments for your consideration.

Polar Securities is the manager of two domestic alternative investment vehicles. The products are structured as limited partnerships (LPs) under the Limited Partnerships Act (Ontario). The LPs have combined assets of approximately \$26 million with less than one hundred investors. Units of the Partnerships are offered on a private placement basis to accredited investors (OSC Rule 45-501) and as such, the vehicles are non-reporting issuers.

Based on the broad definition of a “non-redeemable investment fund” included in NI 81-106, it appears that the OSC’s intention is to include products such as our LPs within the



scope of the proposed rule. Realizing that non-reporting issuers are exempt from much of the content in NI 81-106, we feel that the remaining applicable proposals provide no benefit to our investors but they do bear a significant cost.

Under the proposed rule, we would be required to publicly file semi-annual financial statements for the LPs. It is asserted that publishing this information publicly allows investors and advisors to assess and compare similar products. This may be valuable for public offerings, however, since our private placements are not available to the general public, nor are they distributed through the broker/dealer network, a public filing would be of little value.

Of course there is also a cost associated with producing this information. Aside from the obvious administrative burden, publicly filing our full investment portfolios on a semi-annual basis will provide our competitors and any other interested parties, an opportunity to evaluate and exploit our proprietary investment strategies. The proprietary strategies employed by alternative investment managers are critical to their success, and therefore disclosing investment portfolio information publicly puts our business at risk, which of course is detrimental to our investors.

Aside from the issue of relevance and costs associated with semi-annual financial statement disclosure, there is the issue of the usefulness of the information provided. The proposed content of the annual and interim financial statements is geared towards mutual funds and some of the content is not relevant information for investors in our LPs. If alternative investment vehicles such as our LPs were to be included in the scope of the proposal, the content of the annual and interim reports for these vehicles would have to be re-evaluated.

We appreciate the opportunity to participate in the rule setting process and we look forward to an ongoing open dialogue. Should you wish to discuss any of the points raised in more detail, please do not hesitate to contact us.

Sincerely,

Paul Sabourin
CEO, Polar Securities Inc.