Heathbridge Capital Management Ltd.

141 Adelaide Street West, Suite 260, Toronto, Ontario, Canada M5H 3L5
Tel (416) 360-3900 Toll-free 1-800-446-3819 Fax (416) 360-5566

October 17, 2006

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
New Brunswick Securities Commission
Securities Office, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Nunavut
Registrar of Securities, Yukon Territory

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario, M5H 3S8

Dear Commission Members:

We are writing to you on the topic of "Soft Dollar" Arrangements of Proposed National Instrument 23-102.

We think the Canadian Securities Administrators are heading in the right direction with the thrust of their proposals. The current requirements incorporated in OSC policy 1.9 are far too limited. Our firm has generally followed the directions of the CFA Institute which is far more detailed, backed by a group that has extensive expertise in this area and has been carefully studying this issue for many years. We can think of no reason for NI 23-102 to deviate from the CFA Institute standards. While we support the thrust of the proposals and greater detail, we need to dwell on the two principal deviations from these standards which are fatally flawed the way things are currently drafted.

First, excluding market-based data services from the definition of research is short-sighted, unnecessarily restrictive and actually discourages independent research by buy-side firms. Secondly, the disclosure requirements are excessive, hugely costly and ultimately self-defeating.

We are proud of our current disclosure to clients but we strongly oppose the current draft of the disclosure requirements. We will expand on these thoughts following the question format you requested. Consistent with our past correspondence with you on request for

comments, we will make constructive proposals on how to modify the current draft to address these flaws while being consistent with your primary objectives.

Question 1: No commentary.
Question 2: No commentary.
Question 3: No commentary.
Question 4: No commentary.
Question 5: No commentary.

Question 6: Raw market data. We participated in the thorough briefing by two staff of the Ontario Securites Commission at the Investment Counsel Association of Canada's quarterly compliance officer meeting. It was clear that they felt that services such as Bloomberg and Reuters would not be allowed under the proposed CSA rules since similar information was believed to be available for free or low cost in the public domain. This is ridiculous for several reasons:

1. First of all, this "raw market data" is not readily available in a timely manner and in a form useful to market participants. I know this firsthand having working at one of the world's largest banks and having banks and insurance companies as my clients. They and numerous brokers and money managers would not spend significant sums every month to these service providers if it was available on an accessible, timely basis for free.
2. The information from such sources, along with other publicly and not publicly available information, allow us to perform independent research instead of relying on other people's research. Packaged research is considered permissible but is often far less useful.
3. Furthermore, we use Bloomberg for active involvement in every single trade so the trade execution part is crystal clear for us.
4. Finally, we note that both the CFA Institute and indications thus far from the Securities Exchange Commissions both include Bloomberg as a fully eligible service for soft dollars.

Question 7: No commentary.
Question 8: No commentary.

Question 9: We feel that some publicly available information or publications should be allowed to be included, though we do not currently do so. Ultimately, any research is publicly available for a price so a common sense definition should be applied. Research oriented services such as Value Line or specialty industry journals are somewhat costly and highly unlikely to be used by regular business people. However, publications such as The Wall Street Journal or The Economist have wide circulation and we feel should *not* be included in the permitted soft dollar research definition.

Question 10: No commentary.

Question 11: In general, we think that the form of disclosure should be prescribed or at the very least clear minimums established. We believe, however, that the prescribed disclosures in section 5 of NI 23-102 are excessive.

Our clients range from very sophisticated Bay Street types who value a professional money manager to less financially savvy retirees. We have over 100 families and they have over 400 investment accounts. We currently disclose our commission policy and soft dollar arrangements in our Investment Management Agreement to them. We are confident that they understand this as much as they ever will. We think adding a more detailed disclosure requirement will not enlighten them at all. Since the disclosure will be longer and more detailed and mailed out (say) annually, we think they are less likely to read it. Our clients already complain about getting too much paper. Too much disclosure therefore becomes unread disclosure. Under our current structure, we make our clients read the commission and soft dollar policy in an appendix to the IMA (not something they seem to want to do voluntarily) since the IMA is the main contract between themselves and ourselves.

Our principal objection is that to calculate the hard and soft commissions for each of our over 400 accounts would be a horrific administrative burden without being particularly enlightening for our clients. As our account base grows, this problem will only compound. We shudder to think how this would work at much larger firms unless they use specialized software. Our clients are most focused on returns after commissions, management fees and other costs as well as the comparable risks associated with the portfolios. We have no objection to publishing the aggregate firm commissions, total hard and soft dollars, on an annual basis, though we currently do not do this. Mutual funds disclose this in their footnotes and it seems sufficient. Mandating account by account disclosure would be costly without any benefit in our opinion. We believe our clients would say the same thing. We would encourage the CSA to contact clients from a handful of ICPM firms to see if they really want more before imposing unnecessary costs for undesired paperwork.

Question 12: As highlighted above, we think that the requirements are excessive. The volume and the information on the disclosure will more likely baffle or intimidate readers. When the amount of disclosure grows too large, it is less likely to be read and if read, understood. Suggestions for the most useful type of disclosure are highlighted above.

Question 13: No. Annual is more than sufficient.

Question 14: Implementing the proposed policy as it is currently drafted would be exceptionally costly and disruptive. For our firm, the cost of implementing this policy would far exceed the amount of annual soft dollar commissions. We manage hundreds of accounts on a segregated basis and to track total commissions, both hard and soft for each by account would require the hiring of a part-time person and/or additional software and would be disruptive to our main work. Effectively, this would be a ban on soft dollars, which was option 3. If you plan to kill soft dollars, simply do so, don't pretend to be permitting it, but strangling the practice for smaller investment counselors in excessive disclosure requirements.

We have a simple suggestion that would greatly reduce the reporting burden which is our principal objection to the disclosure requirements. If the CSA feels it necessary to disclose commission dollars, we would suggest disclosure of the total amount of commissions paid by the firm, together with the total amount of soft dollars (or the proportion of the total that is soft).

Question 15: No commentary.

Thank you for considering our comments and suggestions in this letter. As you and your staff make your review of the soft dollar system, we would hope that you would implement our proposed modifications to remove some unintended harmful consequences inherent in some of the proposals. We continue to support the CSA in its efforts to regulate the capital markets and to strive towards best practices in ethics and providing financial services to Canadian investors. Remaining consistent with the CFA Institute Standards is the best way to achieve this.

Sincerely,

Robert F. Richards, CFA
President

Richard M. Tattersall, CFA
Vice-President & Compliance Officer