

**PACIFIC SPIRIT INVESTMENT MANAGEMENT INC.
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14 September 2012

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorite des marches financiers
New Brunswick Securities Commission
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
TORONTO ON M5H 3S8

Me. Anne-Marie Beaudoin
Corporate Secretary
Autorite de marches financiers
800, square Victoria, 22 etage
C.P. 246, tour de la Bourse
MONTREAL QC H4Z 1G3

Dear Friends:

Amendments to National Instrument 31-103

Pacific Spirit Investment Management Inc. is registered as a Portfolio Manager in British Columbia, Saskatchewan, and Ontario.

We offer portfolio management services on a discretionary basis in conjunction with a comprehensive suite of financial planning services. Our firm is a fee for service adviser.

Our clients are generally high net worth families who value the comprehensive nature of our service offerings.

Performance Reporting

We reference our submission dated September 22, 2011 in response to the 2011 Proposals wherein we outline our general concerns with mandatory reporting of performance measures, and ask that the Canadian Securities Administrators (CSA) revisit the points included therein.

We manage portfolios to achieve real-life client goals – whether it be ensuring that there is cash in the client's account two years from now to pay for the replacement of a roof, cash available on the first of each month to provide for lifestyle expenditures for the coming month, or a portfolio of diversified securities designed to provide conservative long-term growth to provide for the advancement in life of future generations in our client families. Each client's goals are unique and generally are not measured principally by a rate of return. Rather, what is most important is measurement against the achievement of the client's real life goals.

It is our opinion that focusing on performance will lead to the wrong decisions being made, with consequential negative impacts on real life client goal achievement. The majority of our clients do not ask for performance measures annually, even though we will readily provide portfolio returns upon request.

Recommendation 1

We recommend that performance reporting requirements be re-framed so that clients have the right to request portfolio performance measures. They should be advised of their right as a part of the new account opening process – perhaps in the Investment Management Agreement – and reminded of their right every year.

If a client requests performance reporting measures, the regulations should provide that the results be calculated in accordance with certain standards – perhaps the CFA GIPS

standards - consistently applied from year to year. Where benchmarks are provided, they should be calculated properly, include income returns as well as capital gains, and be relevant to the client. Where the adviser and the client agree on formats, procedures, and benchmark comparisons, they should be allowed so long as they result in a fair presentation.

Framing the recommendations in this manner emphasizes the desired outcome – providing information that is meaningful to the client – but does not prescribe the method to achieve the desired outcome. It reflects the reality that each client is unique and should be allowed to specify the information they need to make decisions. In addition, it does not result in the generation (and the associated cost) of information that will not be used by clients as only clients wanting information will request it. This is an outcomes based model rather than a regulations based model.

With respect to the request for feedback on the issue of dollar weighted vs. time weighted returns we ask that the Canadian Securities Administrators review the work of the CFA Institute in this area. It is our opinion that time-weighted returns be mandated should any prescription be made as to the method of calculating returns.

A qualified CFA would likely be unable to deliver dollar weighted returns and comply with their professional code of conduct.

Recommendation 2

We recommend that the CSA permit the flexibility to choose between time weighted returns and dollar weighted returns and allow the registrant to report in a method that meets their client's needs and adheres to global reporting standards. The method of reporting chosen by the registrant can be clearly explained to the client. If the CSA prefers to mandate a performance reporting methodology, we recommend that the CSA mandate time weighted returns as mandating dollar weighted returns will not help the CSA achieve its goals of better performance disclosure for clients

Delivery of Information

Our firm has outsourced the preparation and delivery of client statements. Some of our clients pay their fees through their accounts and therefore the statement preparer would have access to that information and could, in theory, also prepare the costs package for the client and deliver it at the same time as they deliver the account statement. However, a significant portion of our client base pays their fee billings directly to us and not from their managed account and therefore this information would not be available to the account statement preparer. The statement preparer would not be able to provide both the fees and the account statement simultaneously.

Recommendation 3

Registrants should be allowed to deliver the prescribed information (costs/performance report and account statements) in two packages.

Recommendation 4

The CSA should explicitly accept that the delivery of an account statement by the custodian to the client, provided that the information reflects the information also included in the registrant's records, satisfies the requirement for the registrant to deliver the same information.

Requiring duplicate mailings – from the custodian and from the Advisor – is an unnecessary duplication of work and a waste of resources. The world is becoming more aware of the use of limited resources and unnecessary duplications should be avoided to improve our environmental footprint.

Is there any value added to a client by receiving duplicate statements?

Cost of Securities

We do not agree with a requirement to disclose the "book cost" of securities. In our view, prescribing one method (particularly, a more tax-based method) for this type of reporting will not achieve the stated objectives of the 2012 Proposal. We believe registrants should have flexibility on how to manage reporting the cost of securities to clients and be able to report in a way that meets client needs.

Recommendation 5

Registrants should have flexibility on how to manage reporting the cost of securities to clients and be able to report in a way that meets client needs.

Thank you for this opportunity to submit our views on the proposed amendments.

Respectfully submitted.

Yours truly,

PACIFIC SPIRIT INVESTMENT MANAGEMENT INC.

John S Clark CA CFA CFP CIM

President