

March 28, 2007

Ref: 81-803 Implementing N1 81-101 Mutual Fund Prospectus Disclosure  
Published December 22, 2006. Comments Close March 31, 2007  
Section Proposed Fund Summary Form, Item 17. See Attached

Re: National Instrument 81-101  
Mutual Fund Prospectus Disclosure  
Form 81-101F1

Item 17 Dealer Compensation, See attached

Comments and Suggestion for better disclosure.

I have found that in many cases, the formula used in the calculation of trailing commissions is substantially different with many funds. For example, some funds may use an average of the daily close NAV for the quarter, and others may average the end of each month close NAV for the quarter. I have also found that, in some cases, the explanation of the basis of the calculation to be ambiguous. The result is that when a dealer or investor compares the rate of trailing commissions of one fund to another, he can be misled.

A simple solution for better disclosure would be to require all funds to use the same standard formula for the calculation of the trailing commission. Each fund would be free to charge whatever rate it wishes to, but must use the same formula to calculate the trailing commission. My suggestion is that, the end of each month NAV be averaged for the quarter, and this average be multiplied by the rate the fund company wishes to charge with the result divided by 4

$$\left( \left( \text{NAV close Jan} + \text{NAV close Feb} + \text{NAV close Mar} \right) / 3 \right) \times \text{Annual Rate} / 4 = \text{Trailing Fee } \$ \text{ paid for quarter.}$$

The advantages of using this simple formula as a standard is that the dealer or investor would only have to compare rates in order to know which fee is higher. Also, if he wanted to, it would be easy for him to do the calculation himself. For the quarter, he would only need to obtain three net asset values and the rate charged.

Improving transparency in this way will increase the efficiency of the market by encouraging competition

Sincerely

Bill Braithwaite, Private Investor

**NATIONAL INSTRUMENT 81-101  
MUTUAL FUND PROSPECTUS DISCLOSURE  
FORM 81-101F1  
CONTENTS OF FUND SUMMARY  
TABLE OF CONTENTS**

**Item 17 Dealer Compensation**

Provide, under the heading "Dealer Compensation", the disclosure of sales practices and equity interests required by sections 8.1 and 8.2 of National Instrument 81-105.

*INSTRUCTIONS:*

*(1) Briefly state the compensation paid and the sales practices followed by the members of the organization of the mutual funds in a concise and explicit manner, without explaining the requirements and parameters for permitted compensation contained in National Instrument 81-105.*

*(2) For example, if the manager of the mutual fund pays an up-front sales commission to participating dealers, so state and include the range of commissions paid. If the manager permits participating dealers to retain the sales commissions paid by investors as compensation, so state and include the range of commissions that can be retained. If the manager or another member of the mutual fund's organization pays trailing commissions, so state this fact and provide an explanation of the basis of calculation of these commissions and the range of the rates of such commissions. If the mutual fund organization from time to time pays the permitted marketing expenses of participating dealers on a co-operative basis, so state. If the mutual fund organization from time to time holds educational conferences to which sales representatives of participating dealers may attend or from time to time pays certain of the expenses incurred by participating dealers in holding educational conferences for sales representatives, so state.*

*(3) If the members of the organization of the mutual funds follow any other sales practices permitted by National Instrument 81-105, briefly describe these sales practices.*

*(4) Include a brief summary of the equity interests between the members of the organization of the mutual funds and participating dealers as required by section 8.2 of National Instrument 81-105. This disclosure may be provided by way of a diagram or table.*