

Client Provided Values	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Assumption Drivers		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Outstanding										
Employer	\$1,656	\$771	\$77	\$8	\$1	\$0	\$0	\$0	\$0	\$0
Sales Agents	\$20,064	\$16,068	\$12,936	\$12,330	\$11,983	\$11,488	\$11,028	\$10,600	\$10,202	\$9,832
Financial Institutions	\$18,591	\$14,861	\$11,943	\$11,367	\$11,036	\$10,573	\$10,143	\$9,742	\$9,370	\$9,024
Investment Dealers	\$1,473	\$1,207	\$993	\$963	\$947	\$915	\$886	\$858	\$832	\$808
Direct										
Total	\$21,720	\$16,839	\$13,013	\$12,338	\$11,984	\$11,489	\$11,028	\$10,600	\$10,202	\$9,832
Sales										
Employer	\$1,100	\$440	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Agents	\$1,540	\$1,020	\$885	\$688	\$516	\$344	\$344	\$344	\$344	\$344
Financial Institutions	\$1,540	\$918	\$797	\$619	\$464	\$310	\$310	\$310	\$310	\$310
Investment Dealers	\$1,350	\$102	\$89	\$69	\$52	\$34	\$34	\$34	\$34	\$34
Direct										
Total	\$2,640	\$1,460	\$885	\$688	\$516	\$344	\$344	\$344	\$344	\$344
Redemptions										
Employer	\$1,298	\$1,325	\$694	\$69	\$7	\$1	\$0	\$0	\$0	\$0
Sales Agents	\$2,246	\$5,016	\$4,017	\$1,294	\$863	\$839	\$804	\$772	\$742	\$714
Financial Institutions	\$2,246	\$4,648	\$3,715	\$1,194	\$796	\$773	\$740	\$710	\$682	\$656
Investment Dealers	\$2,021	\$368	\$302	\$99	\$67	\$66	\$64	\$62	\$60	\$58
Direct										
Total	\$3,544	\$6,341	\$4,711	\$1,363	\$870	\$840	\$804	\$772	\$742	\$714

2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
% of Current Forecasted Sales ¹								
40%	0%	0%	0%	0%	0%	0%	0%	0%
60%	50%	40%	30%	20%	20%	20%	20%	20%
60%	50%	40%	30%	20%	20%	20%	20%	20%
60%	50%	40%	30%	20%	20%	20%	20%	20%
54%	50%	40%	30%	20%	20%	20%	20%	20%
Churn Rate ²								
80%	90%	90%	90%	90%	90%	90%	90%	90%
25%	25%	10%	7%	7%	7%	7%	7%	7%
25%	25%	10%	7%	7%	7%	7%	7%	7%
25%	25%	10%	7%	7%	7%	7%	7%	7%
36%	35%	14%	8%	7%	7%	7%	7%	7%

Client Provided Values	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Assumption Drivers	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Origination Costs ³																		
Variable Costs																		
Sales Commissions ⁴	\$6,568	\$8,782	\$10,058	\$10,625	\$10,558	\$9,945	\$8,853	\$7,301	\$5,302	Adjusted at baseline.								
Back Office Processing	\$712	\$84	\$66	\$49	\$33	\$33	\$33	\$33	\$33									
EDS ⁵	[Information withheld]																	
Registered Products ⁶	[Information withheld]									54%	50%	40%	30%	20%	20%	20%	20%	20%
Total Variable Costs	[Information withheld]																	
Fixed Costs ⁷																		
Marketing Service ⁸	\$5,513	\$5,568	\$5,623	\$5,680	\$5,793	\$5,909	\$6,027	\$6,148	\$6,271									
Creative and Production (V&B)	\$1,375	\$1,389	\$1,403	\$1,417	\$1,445	\$1,474	\$1,503	\$1,533	\$1,564	50%	50%	50%	50%	50%	50%	50%	50%	50%
Media (Media Vision)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0%	0%	0%	0%	0%	0%	0%	0%	0%
Publishing and Printing	\$1,950	\$1,970	\$1,989	\$2,009	\$2,049	\$2,090	\$2,132	\$2,175	\$2,218	75%	75%	75%	75%	75%	75%	75%	75%	75%
Other	\$2,188	\$2,209	\$2,231	\$2,254	\$2,299	\$2,345	\$2,392	\$2,440	\$2,488	50%	50%	50%	50%	50%	50%	50%	50%	50%
Salaries & Sales Force Remuneration ⁹	\$1,202	\$1,057	\$1,088	\$1,120	\$1,157	\$1,195	\$1,235	\$1,276	\$1,319									
Salaries & Benefits	\$652	\$678	\$705	\$734	\$763	\$793	\$825	\$858	\$892	20%	20%	20%	20%	20%	20%	20%	20%	20%
Fixed Sales Force Salaries/Contracts	\$375	\$379	\$383	\$386	\$394	\$402	\$410	\$418	\$427	25%	25%	25%	25%	25%	25%	25%	25%	25%
Sales Force Bonus	\$175	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	25%	0%	0%	0%	0%	0%	0%	0%	0%
National Sales Manager & other small contracts	\$120	\$121	\$122	\$124	\$126	\$129	\$131	\$134	\$137	80%	80%	80%	80%	80%	80%	80%	80%	80%
Other ¹⁰	\$716	\$574	\$553	\$559	\$570	\$581	\$593	\$605	\$617									
Pricing	\$25	\$25	\$26	\$26	\$26	\$27	\$27	\$28	\$28	50%	50%	50%	50%	50%	50%	50%	50%	50%
Retail debt studies	\$38	\$38	\$38	\$39	\$39	\$40	\$41	\$42	\$43	50%	50%	50%	50%	50%	50%	50%	50%	50%
Planning	\$150	\$23	\$15	\$15	\$16	\$16	\$16	\$17	\$17	200%	150%	100%	100%	100%	100%	100%	100%	100%
Corporate Services Other	\$76	\$57	\$38	\$39	\$40	\$40	\$41	\$42	\$43	200%	150%	100%	100%	100%	100%	100%	100%	100%
G&A Other	\$427	\$432	\$436	\$440	\$449	\$458	\$467	\$477	\$486	25%	25%	25%	25%	25%	25%	25%	25%	25%
IT Initiatives - business case																		
Total Fixed Costs	\$7,430	\$7,199	\$7,264	\$7,358	\$7,520	\$7,686	\$7,855	\$8,029	\$8,207									
Total Origination Costs	\$14,710	\$16,064	\$17,389	\$18,032	\$18,111	\$17,664	\$16,741	\$15,363	\$13,542									
Servicing Costs ¹¹																		
Variable Costs																		
EDS ¹²	[Information withheld]																	
Registered Products ¹³	[Information withheld]									78%	55%	50%	47%	43%	39%	35%	31%	27%
User Fees ¹⁴	(\$10,966)	(\$6,887)	(\$4,442)	(\$4,090)	(\$3,902)	(\$3,744)	(\$3,598)	(\$3,463)	(\$3,337)	(50%)	(50%)	(50%)	(50%)	(50%)	(50%)	(50%)	(50%)	(50%)
Trailer Fees ¹⁵	\$19,316	\$18,121	\$17,251	\$13,020	\$9,020	\$7,036	\$3,676	\$1,527	\$0	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total Variable Costs	[Information withheld]																	
Fixed Costs																		
DAO ¹⁶	\$5,300	\$5,150	\$5,100	\$5,100	\$5,100	\$5,300	\$5,150	\$5,100	\$5,100									
Fixed	\$1,950	\$1,950	\$1,950	\$1,950	\$1,950	\$1,950	\$1,950	\$1,950	\$1,950	75%	75%	75%	75%	75%	75%	75%	75%	75%
Controllable	\$2,025	\$1,932	\$1,894	\$1,894	\$1,913	\$2,066	\$1,951	\$1,913	\$1,913	75%	75%	75%	75%	75%	75%	75%	75%	75%
EDS ¹⁷	[Information withheld]									100%	100%	100%	100%	100%	100%	100%	100%	100%
Other	\$5,017	\$5,042	\$5,042	\$5,042	\$5,042	\$5,042	\$5,042	\$2,600	\$2,600									
BoC																		
Registered Products ¹⁸	[Information withheld]									100%	100%	100%	100%	100%	100%	100%	100%	100%
RDP Minor Initiatives ¹⁹	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	25%	25%	25%	25%	25%	25%	25%	25%	25%
IT Initiatives																		
Amortization of Outsourcing (over 9.5 years) ²⁰	[Information withheld]																	
Total Fixed Costs	[Information withheld]																	
Total Servicing Costs	\$50,487	\$48,164	\$47,610	\$42,322	\$37,158	\$34,419	\$30,114	\$25,317	\$23,642									
Redemption Costs ²¹																		
Variable Costs																		
EDS ²²	[Information withheld]																	
Registered Products ²³	[Information withheld]									70%	70%	90%	90%	90%	90%	90%	90%	90%
Redemption Fees ²⁴	\$2,462	\$979	\$893	\$579	\$1,543	(\$14)	\$106	\$96	(\$10)									
Total Redemption Costs	[Information withheld]																	
Total Program Costs	\$76,694	\$70,163	\$66,570	\$61,160	\$56,998	\$52,244	\$47,133	\$40,942	\$37,336									

30/08/2004

Canada RDP Cost Model
BASICS Scenario
Baseline Values

Service & Maintain
Redemptions



Note Explanation

- 1 Sales assumed to decrease as a result of stopping sales in the Employer channel. Further, the focus on the CPB in the Sales Agen channel will also result in lower sales.
- 2 Redemptions are assumed to increase dramatically through the Employer channel as a result of stopping ths sales and introducing User Fees for servicing. Redemptions through the Sales Agent channel are assumed to increase in the first few years and then decline and stabilize with a core group of investors. The initial increase and then decline is a result of the introduction of User Fees and a focus on the most cost effective products.
- 3 Origination costs are the costs associated with the acquisition (marketing, public relations, commissions, etc.) and processing of sales transactions.
- 4 Sales Commissions assumed to decrease (see Baseline Value page) but be more competitive in their structure.
- 5 [Information withheld]
- 6 Registered Products assumed to decrease in line with sales.
- 7 Forecasted costs provided by CI&S are allocated to Origination Fixed Costs (Marketing Service, Salaries & Sales Force Remuneration, and Other) based on the actual 2002/03 account groupings found in the 2002/03 financial data, except for Salaries & Sales Force Remuneration and Other (which includes shared costs).
- 8 Marketing Service activities assumed to decrease in an effort to reduce program costs. Significant cost reductions include the elimination of television promotion and reduction of frequency of print promotion and public relations.
- 9 Salaries & Sales Force Remuneration assumed to decrease significantly with the front office being integrated into the Bank of Canada. A smaller sales team, shorter sales period, and the elimination of the Employer channel will contribute to lower costs.
- 10 Other origination costs assumed to decrease in line with reduced program. Planning and other administrative cost will require an increase for the first few years to help manage the change in program direction.
- 11 Servicing costs are the costs associated with the maintenance of existing accounts.
- 12 [Information withheld]
- 13 [Information withheld]
- 14 User Fees are included in the Basics scenario to recover EDS Servicing variable costs, assuming cost recovery of 50% of EDS servicing and redemption variable costs.
- 15 Trailers Fees are assumed to remain unchanged from the Current scenario. *We recommend a renegotiation of the Trailer Fees with the financial institutions in the final report.*
- 16 DAO costs are assumed to decrease from the Current scenario level representing a reduction in the program operations but a requirement for integration and operation of the new entity.
- 17 [Information withheld]
- 18 [Information withheld]
- 19 RDP minor initiatives are assumed to decrease to 25% of Current scenario levels reflecting reduced requirements of the Program.
- 20 Amortization of Outsourcing reflects the remaining 7 of 9.5 years of amortization of \$23.2 million cost to outsource backoffice from Bank of Canada to EDS.
- 21 Redemption costs are all costs associated with the redemption activity.
- 22 [Information withheld]
- 23 [Information withheld]
- 24 Redemption Fees reflect allocation of the Current scenario fees adjusted due to the short term increase in the churn which will hasten the payment of these fees.