







30/08/2004

Canada RDP Cost Model  
RUNDOWN Scenario  
Baseline Values

Service & Maintain  
Redemptions



**Note**

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**Explanation**

The Sales Agent channel is terminated immediately. The Employer channel will also be terminated. An assumption of 60% of sales is made in the model for Year 1 in the event that a campaign is underway.

Redemptions are assumed to increase through both channels as sales are stopped and user fees on servicing are implemented.

Origination costs are the costs associated with the acquisition (marketing, public relations, commissions, etc.) and processing of sales transactions.

There are no sales commissions as the Sales Agent channel is closed.

There are no EDS origination variable costs except for Year 1 as the Sales Agent channel is closed and the Employer channel remains only for any campaign already underway.

There are no Registered Products origination variable costs except for Year 1.

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).

All Marketing Service costs are eliminated except for bond holder relations and communications expenses.

Salaries & Sales Force Remuneration will require a skeleton staff to manage the existing operations.

All Other costs are eliminated except for minimal costs to manage the rundown of the program.

Servicing costs are the costs associated with the maintenance of existing accounts.

[Information withheld]

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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.*

DAO costs are assumed to decrease by 50% from the Current scenario level reflecting the rundown of the Program.

EDS servicing fixed costs are assumed to decrease by 25% of the Current scenario.

Registered Products servicing fixed costs are assumed to remain at 100% of Current scenario values.

RDP minor initiatives are assumed to decrease to 25% of Current scenario levels reflecting reduced requirements of the Program.

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.

Redemption costs are all costs associated with the redemption activity.

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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.