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SENT VIA E-MAIL

June 2, 2005

Mr. John Stevenson
Secretary to the Commission
Ontario Securities Commission

Ms Anne-Marie Beaudoin
Directrice du secretariat
Autorité des marchés financiers

Dear Mr. Stevenson and Ms Beaudoin:

Re: Proposed National Instrument 81-107 Independent Review Committee for Investment Funds

Resolute Funds Limited ("Resolute Funds") is the manager of the Resolute Growth Fund (the "Fund"), a public mutual fund offering its securities by way of simplified prospectus and annual information form in the provinces of Ontario, British Columbia and Alberta. This letter is submitted in response to the request of the Ontario Securities Commission (the "Commission") and other members of the Canadian Securities Administrators (the "CSA") soliciting comments on proposed National Instrument 81-107 Independent Review Committee for Investment Funds ("NI 81-107") published for comment in May of this year. In particular, we are responding to the request of the CSA for comments as to whether NI 81-107 ought to apply to smaller investment funds.

We acknowledge that this comment letter will be publicly disclosed on the Commission's website.

The first issue we wish to address is in response to your request for comments as to what constitutes a small fund. We believe that asset size may be a relevant consideration, given that the costs of the Independent Review Committee ("IRC") may be relatively fixed and therefore the smaller the asset base over which those costs are to be spread, the greater the negative impact on unitholder returns from the fund. We also

believe that the number of unitholders of a fund can be a relevant consideration, since the IRC is intended in some instances to replace soliciting the approval of investors at a meeting of unitholders, and the costs of holding such meetings increase dramatically as the number of investors increase. But we think that there are two further considerations which are of even greater importance in determining the appropriateness of applying NI 81-107 to a fund.

The first of these considerations is the number of funds potentially subject to the instrument under management by the manager of that fund. In the case of the Fund, it is the sole public fund offered by Resolute Funds. Accordingly, issues such as inter-fund trading have no application to the Fund. The second consideration relates to the size of the mutual fund complex. Resolute Funds is not affiliated with any other entities, and in particular is not related to any investment dealers or mutual fund dealers, nor is it owned by or otherwise related to any financial services conglomerate or any public companies in which the Fund could potentially invest or buy. Units of the Fund are sold by third party dealers entirely unrelated to Resolute Funds. Again, this reduces the potential conflicts of interest to which Resolute Funds and the Fund will be subject, and thereby decreases the utility of an IRC to the Fund and its unitholders.

So in our view the size of the mutual fund complex and the number of funds managed within such complex are more important than the asset or unitholder base of the fund. We would recommend that the CSA define a small fund for purposes of excluding such funds from the application of NI 81-107 as any fund where the manager of that fund has no more than perhaps five public funds in the family, where none of such funds is a "dealer managed mutual fund" within the meaning of National Instrument 81-102, and where there are no public companies which are related issuers of the manager.

If one looks at the matters which the IRC is to consider, transactions in securities of a related issuer and investing in underwritten securities are matters that cannot apply to these types of smaller funds. While inter-fund trading is a potential issue if the manager manages more than one fund, smaller funds would have the option of appointing an IRC so as to be able to take advantage of the provisions of NI 81-107 in this regard should they wish to do so.

It is also proposed that the IRC consider such matters as increases to management fees, correction of administrative errors, soft dollar arrangements and a manager's determination to provide administrative services currently provided by third parties.

Increasing fees is something that requires unitholder approval under NI 81-107, except in certain special cases where prior notice must be provided in situations in which unitholders can "vote with their feet" by redeeming out of the fund without charge. We do not see that having an IRC provides any additional meaningful protection to investors in these circumstances. If the manager of a fund is able to convince unitholders that a fee increase is appropriate, then that should be sufficient.

The Fund, in keeping with most smaller funds, out-sources its required administrative functions. In such circumstances, the manager would not be making any material administrative errors requiring correction, and would have no incentive not to require its service providers to make the appropriate corrections.

Resolute Fund does not believe that any soft dollar arrangements are appropriate to enter into in respect of the Fund. We understand that the CSA are considering a policy or rule relating to soft dollars. We would not participate in soft dollar arrangements even if ultimately permitted to do so by any policies or rules which might be developed, but would support a rule which provided that before a fund entered into soft dollar arrangements, it must have them approved by its IRC. Again, in this way, those funds that wanted to take advantage of the benefits of having an IRC could appoint one; those funds that did not see such benefits could be exempted from the requirement to do so.

The issue of whether to bring "in-house" administrative functions previously out-sourced is a decision we feel can safely be left to the directors of the manager of a fund, a majority of whom are required to be independent of the manager.

We also note that changes of fund auditors and certain fund mergers would be permitted without unitholder approval if IRC approval was obtained. These matters are of a sufficiently rare occurrence that we do not see unitholders would benefit from the costs of paying for an IRC year after year just to avoid the costs of holding unitholder meetings in the rare case where these changes are proposed.

We are a small fund manager which has over $300 million in assets in the Fund with a tradition of achieving excellent returns for our unitholders. Our 10 year performance numbers at the time of writing exceed all other funds in Canada tracked by Globefund. We are very concerned that forcing small fund complexes such as ourselves to appoint an IRC will add significant costs while providing few if any benefits to unitholders, and thus unnecessarily reduce unitholder returns.

These costs cannot be known for certain but are likely to be significant and to rise over time. We would expect that to get qualified people to serve on an IRC, a fairly high remuneration would need to be offered. We would also expect that members of an IRC would reasonably insist that the Fund pay for liability insurance, and if the costs of directors and officers liability insurance is anything to go by, these costs could reasonably be expected to rise dramatically over time; and of course a Fund indemnity would be required. The inevitable class action law suits (even if not directed at the Fund) will have the effect of driving up these costs for everyone.

Although we can appreciate that for larger fund complexes with more inherent conflicts of interest than we face, NI 81-107 may provide welcome relief from the rigid application of the conflict of interest rules in securities legislation, such is not the case for us and the Fund. We would respectfully request that the CSA provide for exemptions from NI 81-107 for smaller fund complexes. Any conflicts of interest that such funds may face can be adequately dealt with at the level of the board of directors of the

manager, and by the independent directors of that board. We would expect that a fund not subject to NI 81-107 would need to make full disclosure of the fact that it does not have an IRC in its simplified prospectus or annual information form.

We appreciate having had the opportunity to comment on this proposed instrument.

Yours truly,

RESOLUTE FUNDS LIMITED

"Tom Stanley"

Thomas O. Stanley, President

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