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*Facsimile transmittal cover page*

TO: Tony Wong

COMPANY: BCSC

FAX NO.: 604-899-6814

DATE: October 19, 2006

FROM: Graham Henderson

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MESSAGE:

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October 19, 2006

Mr. Tony Wong  
Senior Legal Counsel, Capital Markets Regulation  
British Columbia Securities Commission  
P.O Box 10142, Pacific Centre  
701 West Georgia Street  
Vancouver, BC V7Y 1L2

Dear Mr. Wong,

Re: Comment on 23-102 Use of Client Brokerage Commissions as Payment for Order Execution Services or Research ("Soft Dollar Arrangements")

My review of the proposed instrument and the reporting requirements lead me to conclude that this is an attempt to regulate Soft Dollar Arrangements ("SRA") in an onerous manner as a means to curtail their use for legitimate services.

SRA help to level the playing field between the small adviser and the large adviser. Legitimate services can be provided through SRA that allow the small adviser access to order execution or research that would otherwise be too expensive or would be passed on to clients in the form of higher management fees. Most of the research would fit in the definition of 3.5 in the Companion Policy in that it is mass-marketed or publicly-available information or publications. Not a day goes by that I do not receive unsolicited brochures or emails that sell research or offer free trials. This includes well-known publications such as BCA Research (Bank Credit Analyst), etc. The point I wish to make is that almost all research is "publicly-available information". Some just cost more than others.

Part 4.1 requires that the advisor must provide disclosure to each of its clients. If a particular client account would never be used for soft dollars (tied to a broker, for example), it really is none of that client's business what soft dollar arrangements are made and none of that client's business how much total brokerage commission the firm generates in a disclosure period. Secondly, the total amount of commissions generated by firm is confidential information that could be easily misused. The client may view his brokerage commissions and the total brokerage commissions as an indirect measure of his importance to the total revenue of the adviser. This proposed policy is an intrusion in the financial affairs of the adviser and forces disclosure of (financial) information that is not otherwise required.

Parts 4.1 (b), (c) and (d) and 4.2 require a great deal of additional record keeping that would serve no purpose other than to confuse the client with meaningless information. I would not do this for free and would increase my fees to compensate me for the time and expense.


There should be an "opt out" mechanism in the Policy. If a client doesn't want the disclosure and knows that he will be charged for it anyway, he should be able to waive his right to the disclosure and save the cost.

I favour a disclosure letter saying what services are paid for using SRA, which investment dealers are being used and that trades are done on competitive terms.

We have passed the point where you can measure the commission cost of a trade and say that someone paid too much or the right amount for a soft dollar trade. We now have zero commission trades in the United States with a minimum balance and \$9.95 trades in Canada. I use various investment dealers. Some have \$100.00 minimum commissions. Does this mean that I should move all my accounts to E-Trade? Is every commission now not too high?

Finally, what about my personal and my corporate commission dollars? Should I not be able to allocate my commissions for services that I want which may not be clearly approved? Is a pension fund any different when it tells its adviser to pay for some study or performance measurement or manager search?

Yours very truly,

A handwritten signature in cursive script that reads "Graham E. Henderson".

Graham E. Henderson, CFA, CFP  
President